HEALTH CARE ATTORNEYS P.C.

546 W. Colorado, Suite 101 • Glendale, CA 91204 www.healthcare-attorneys.com (T) 310-698-6361

Premium Tax Credit Eligibility Flow Chart for Individuals Under 26 Years of Age

Is your household income between 100 and 400 percent of the federal poverty line?	No	Not eligible for a premium tax credit
Yes ↓		
Are you eligible for Medicaid?	Yes	Not eligible for a premium tax credit
No ↓		
Are you eligible for a government plan such as CHIP?	Yes	Not eligible for a premium tax credit
No ↓		
Are you eligible for an employer sponsored plan that is affordable and provides minimum value?	Yes	Not eligible for a premium tax credit
No ↓		
Are you eligible for a parent's employer sponsored plan that is affordable and provides minimum value? (Only applies if a parent is claiming a §151 deduction for you)	Yes	Not eligible for a premium tax credit
No ↓		
Does a parent take a §151 deduction for you?	Yes	Not eligible for a premium tax credit
No ↓		
Eligible for a premium tax credit		

Is your household income between 100 and 400 percent of the federal poverty line?

Technically, a taxpayer could be eligible for a premium tax credit if the taxpayer's household income is equal to or exceeds 100 percent of the federal poverty line, but does not exceed 400 percent of the federal poverty line.

Household income is defined as the modified adjusted gross income of a person plus any amount excluded from gross income under §911 (i.e. foreign income) plus any amount of interest received or accrued that is exempt from tax. Few individuals applying for a premium tax credit will have income under §911 or interest received or accrued that is exempt from tax. Therefore, the most important part of modified adjusted gross income to understand is how adjusted gross income is calculated. To calculate an individual's adjusted gross income the sum of the individual's gross income is calculated following the rules of §61 then certain items listed in §62 are deducted. Among other items, adjusted gross income includes wages and tips, taxable distributions from pensions and IRAs, Social Security benefits, unemployment compensation, and alimony. Among other items, adjusted gross income does not include pension and profit-sharing contributions (i.e. 401(k) contributions), student loan interest deductions, health savings account deductions, and alimony paid. For an exhaustive list of items included and not included in adjusted gross income review §61 and §62 of the Internal Revenue Code.

If a taxpayer is married or has dependents who the taxpayer is taking a deduction for under §151, the income of those individuals are aggregated together in determining the taxpayer's household income. The number of individuals included in a taxpayer's household income will also be the number of individuals used when determining the taxpayer's federal poverty line. For example, if a taxpayer has a spouse and two children and the taxpayer is taking a §151 deduction for the spouse and the two children, the taxpayer's household income will include the modified adjusted gross income of all four individuals. And, the federal poverty line for four individuals will be used when determining whether the family's household income falls within the federal poverty line threshold.

However, if a taxpayer is one of the two children in the example above, it is likely only his/her income will be included when determining if the taxpayer met the federal poverty line threshold. The reasoning is the typical child under the age of 26 is not taking a §151 deduction for his/her parents and his/her sibling. Therefore, these individuals are likely not included when determining the taxpayer's household income or whether the taxpayer's household income falls within the federal poverty line threshold.

The following chart represents 100 and 400 percent of the federal poverty line for the different household sizes in the continental United States:

Household Size	100 Percent of the Federal Poverty Line	400 Percent of the Federal Poverty Line
1	$ 11,490	$ 45,960
2	$ 15,510	$ 62,040
3	$ 19,530	$ 78,120
4	$ 23,550	$ 94,200
5	$ 27,570	$ 110,280
6	$ 31,590	$ 126,360

There is an exception to the federal poverty line threshold for a taxpayer who has a household income of less than 100 percent of the federal poverty line. The exception applies if the taxpayer is not eligible for Medicaid so long as the reason the taxpayer is not eligible is the taxpayer is an alien lawfully present in the United States. If the taxpayer falls under this exception, the taxpayer's household income will be equal to 100 percent of the federal poverty line when calculating the value of the taxpayer's premium tax credit.

Are you eligible for Medicaid?

Medicaid is a State run program that provides health coverage to individuals with a low income. States have the ability to expand Medicaid to individuals earning less than 138 percent of the federal poverty line. As of this date 25 States plus the District of Columbia have accepted Medicaid expansion and 25 States have not accepted Medicaid expansion. Each State's Medicaid laws are unique so the laws of your State will need to be reviewed to determine Medicaid eligibility. The ACA makes it clear the mere eligibility for a program such as Medicaid makes an individual ineligible for a premium tax credit.

States that Have Expanded Medicaid	States that Have Not Expanded Medicaid
Arizona	Alabama
Arkansas	Alaska
California	Florida
Colorado	Georgia
Connecticut	Idaho
Delaware	Indiana
The District of Columbia	Kansas
Hawaii	Louisiana
Illinois	Maine
Iowa	Mississippi
Kentucky	Missouri
Maryland	Montana
Massachusetts	Nebraska
Michigan	New Hampshire
Minnesota	North Carolina
Nevada	Oklahoma
New Jersey	Pennsylvania
New Mexico	South Carolina
New York	South Dakota
North Dakota	Tennessee
Ohio	Texas
Oregon	Utah
Rhode Island	Virginia
Vermont	Wisconsin
Washington	Wyoming
West Virginia	

Are you eligible for a government plan such as CHIP?

If you are eligible for a government health plan such as CHIP, a State run program established to provide health coverage to children of modest income families who do not qualify for Medicaid, you will not be eligible for a premium tax credit. Other examples of government plans an individual could be eligible for that would disqualify the individual from being eligible for a premium tax credit include, but are not limited to, TRICARE, a veterans' plan other than TRICARE, a health plan established for Peace Corps volunteers or Medicare. The ACA makes it clear the mere eligibility for a government plan makes an individual ineligible for a premium tax credit.

Are you eligible for an employer sponsored plan that is affordable and provides minimum value?

Your employer's coverage is considered affordable if the cost of your share of premiums for self-only coverage does not exceed 9.5 percent of your household income. Your employer's coverage provides minimum value if the plan's share of the total allowed costs of benefits provided under the plan is at least 60 percent. If your employer offers one plan which you are eligible for that meets these requirements, you will not be eligible for a premium tax credit.

If you are married and you are eligible for your spouse's employer sponsored plan that would also preclude you from receiving a premium tax credit if your spouse's employer sponsored plan is affordable and provides minimum value. For your spouse's plan the coverage will be deemed affordable if the cost of your spouse's share of premiums for self-only coverage does not exceed 9.5 percent of your household income. The affordability of your spouse's plan is tied to the cost of your spouse's share of premiums for self-only coverage, not the cost of the premiums to cover you. It should be noted an employer can comply with the Play or Pay Mandate and not offer spousal coverage. So it is possible your spouse's plan will just cover your spouse and your spouse's dependents. Your spouse's coverage provides minimum value if the plan's share of the total allowed costs of benefits provided under the plan is at least 60 percent. If your spouse's employer offers one plan which you are eligible for that meets these requirements, you will not be eligible for a premium tax credit.

Are you eligible for a parent's employer sponsored plan that is affordable and provides minimum value?

First, and importantly, your parent's health coverage only destroys your eligibility for a premium tax credit if at least one parent is claiming a §151 deduction (see below) for you. Technically, the box does not need to be included in the flow chart as the following box discussing the §151 deduction will always lead you to the correct result. However, I kept the box in the flow chart because it is one of the most misunderstood aspects of premium tax credit eligibility.

Under the ACA, any health plan that offers dependent coverage must make the dependent coverage available to children until they attain 26 years of age. A health plan may not deny or restrict coverage for a child who has not attained the age of 26 because of the child's financial dependency on the parents, residency with the parents, student status, employment, or any combination of these factors. Simply put, a health plan covering dependents must cover children until the age of 26. No exceptions or limitations. Additionally, beginning in 2015, employers will need to offer an employee's dependents coverage until the dependent reaches the age of 26 in order to not pay a penalty under the Play or Pay Mandate. Therefore, any individual must examine whether he/she is eligible for health coverage through a parent's employer. Your parent's plan is considered affordable to you if the cost of the parent employee's share of premiums for self-only coverage does not exceed 9.5 percent of the employee parent's household income. The affordability of your parent's health coverage is tied to the cost of the parent employee's self-only coverage, not the cost of the health coverage to cover you. Your parent's coverage provides minimum value if the plan's share of the total allowed costs of benefits provided under the plan is at least 60 percent. If one of your parents' employers offers one plan which you are eligible for that meets these requirements, you will not be eligible for a premium tax credit.

Does a parent take a §151 deduction for you?

Section 151 directs you to detailed rules in §152 to determine if a deduction can be taken for a related individual. Children, parents, brothers, sisters, nieces, and nephews are among the potential individuals a taxpayer can take a deduction for under §151. Dependents other than children are a rare circumstance compared to a child dependent. Therefore, this explanation only expounds on the rules for dependent children. For detailed rules pertaining to additional individuals who can be claimed as dependents, please see §152 of the Internal Revenue Code.

For §151 and §152 purposes a stepchild is treated the same as a child. In general, to be able to take a deduction, the child must satisfy an age requirement, a residency requirement and a support requirement. A child who is a nonstudent satisfies the age requirement if the child has not reached the age of 19 as of the close of the calendar year. A child who is a student satisfies the age requirement if the child has not reached the age of 24 as of the close of the calendar year. A child satisfies the residency requirement if the child has the same home as the taxpayer for more than half the year. A child who is a student away at college can still satisfy the residency requirement as temporary absences (even if it is an entire semester) don't count against a child when calculating the residency requirement. Finally, the child satisfies the support requirement so long as the child does not provide more than half of his/her support for the calendar year.

If an individual is claimed as a dependent by another taxpayer, the individual will be ineligible to receive a premium tax credit alone. However, it is still possible the individual could receive a premium tax credit through his mother or father.

Eligible for a premium tax credit

To be eligible for the premium tax credit an individual must enroll in a State Exchange. As of the date of this publication it does not matter if the Exchange is being run by the State, the Federal government, or as a partnership Exchange. There are a few additional rules that could disqualify an individual from being eligible for a premium tax credit such as individuals who are incarcerated or who are illegally present in the United States are not eligible for a premium tax credit. However, this flow chart should give a majority of Americans an accurate answer as to whether they are eligible for a premium tax credit.