

2015 Tax Season ACA Insights

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About H&R Block



- World's largest consumer tax services provider
- File 1 in 7 US tax returns
- 10,000 offices nationwide
- ~80,000 tax professionals
- Prepared over 20M tax returns last year
- Only multi-channel tax preparation company with retail, software and online
- Invested more than 600k hours training tax professionals on ACA



- 1) New Tax Documents
- 2) Coverage Verification
- 3) Advance Premium Tax Credit Reconciliation
- 4) ACA tax penalty (shared responsibility payment)
- 5) ACA penalty exemptions
- 6) New form requirements

- H&R Block 2014 federal tax return data as of 2/15
- Includes both assisted and DIY tax data
- Figures are directional and year end results may differ from early season averages

- Overall % HRB ACA impacted clients in line with prior estimates of 20-25% year to date
- Similar percent of clients impacted across both assisted and DIY

Deep Dive: Shared Responsibility Payment



- Clients appear to be accurately indicating household health insurance coverage status for 2014
- The percent of clients who paid the penalty was slightly higher for DIY vs. assisted
 - For all clients, average penalty was \$172 (decreased refund by ~5%)
 - 1040 clients paid the highest average penalty at \$219 (decreased refund by ~5%)
 - Highest proportion of clients who paid penalty filed 1040A (decreased refund by ~3%)
 - For 1040EZ clients with a penalty, decreased refund by ~13%

Two Types of Exemptions from the ACA penalty:

1. Claimed on Tax Return

2. Granted by Marketplace

Deep Dive: Exemptions (form 8965)

- The percent of clients who filed with exemption was slightly higher for assisted vs. DIY
 - 96% claimed tax return exemption

Most Common Exemptions:

- Income below filing requirement
- Coverage by May 1st
- Short-term gap in coverage
- Unaffordable coverage options
- Resident of state w/o Medicaid Expansion

- 4% claimed Marketplace exemption
 - Viewed by many clients as complicated, cumbersome, and uncertain

Deep Dive: Reconciliation (Form 8962)



- Overall percent of clients who filed with PTC reconciliation form varied by state based upon the number of Marketplace enrollments
- Overall percent was similar for assisted and DIY
 - 38% received \$366 average credit (increased refund by an average of 11%)
 - 52% must repay average of \$530 of excess APTC (decreased refund by an average of 17%)
 - 9% no credit/repayment
 - Of all 8962 reconciliation clients average refund decreased by 8%

- Clients have limited ways to verify the accuracy of the 1095A information they receive from the marketplace
- Clients who have already filed and receive a corrected 1095A will need to amend return
- Clients who have not yet filed and know that they will receive a correct 1095A are being asked by CMS to delay filing their tax return until mid-March
- CMS indicated ~800k FFM 2014 enrollees impacted
- Covered CA indicated ~100k+ 2014 enrollees impacted
- Other 2014 enrollees in other SBM states likely impacted as well

- CMS recently announced new six-week special enrollment period
 - March 15th – April 30th
 - For individuals/families who paid a penalty for not having 2014 health coverage
 - And who say they first learned that they were subject to the penalty after regular enrollment ended Feb. 15
- Potential Issues:
 - Gap period impact on awareness and enrollments
 - IRS regulatory prohibitions
 - One-time penalty exempted clients

- Overall no major IRS processing issues year-to-date for ACA impacted clients
- Many clients facing APTC reconciliation caught off guard
- Clients appear to be accurately indicating their 2014 health insurance coverage status and are demonstrating willingness to file with shared responsibility payment
- Tax return exemptions from the penalty are the most common because of their broad application and ease to claim
- Marketplace exemptions generally viewed as complicated, cumbersome, and uncertain
- Recent announcements regarding corrected 1095A's and additional SEP have the potential to create added confusion to an already daunting tax season