

# TAX CONSEQUENCES OF THE AFFORDABLE CARE ACT





# LOW INCOME TAXPAYER CLINIC

- Free representation of low income taxpayers who have a dispute with the IRS
- Community education about TP rights and responsibilities to low income and ESL persons
- Systemic advocacy for issues impacting these taxpayers

## CASE STUDY #1 – MAGI & SOCIAL SECURITY DISABILITY INCOME

- TP severely disabled, no longer able to work, awarded SSDI but in 24 month grace period before Medicare
- TP needed health insurance, was advised by navigator that SSDI did not count in determining PTC
- TP signed up for ACA coverage, APTC covered most of the monthly premium
- Maximum MAGI for PTC in 2014: \$62,920
- TP's MAGI: \$65,628 (including non-taxable SSDI per IRC Section 36B(d)(B)(iii))
- TP had to repay 100% of Advance PTC: \$13,592, plus an accuracy-related penalty of \$2,669 plus interest
- Total Debt: \$16,478 (which continues to accrue penalties and interest until paid)
- IRS issued a Notice of Intent to Levy on SSDI
- Filed request for Collection Due Process Hearing to dispute the levy
- Filed request for abatement of accuracy-related penalty
- TP's balance due placed in CNC status, accuracy-related penalty abated

## CASE STUDY #2 – INSURANCE AGENT FRAUD

- 72 year old TP went to an Access office to renew his Food Stamps
- Access office shared space with an insurance company
- Insurance agent approached TP with offers of free health insurance
- TP advised agent that he had Medicare and did not need health insurance
- Agent advised TP that he could have Medicare and ObamaCare and that it was free (IRC Section 36B(c)(2)(b))
- TP signed up for coverage
- TP had to repay all APTC (fortunately, Marketplace caught the error after three months)
- No relief from IRS
- Recovered 50% from the insurance company after demand



## CASE STUDY #3 – IDENTITY THEFT

- TP filed her 2016 tax return
- TP did not reconcile PTC because she did not know she had Marketplace coverage
- TP was an employee and had employer sponsored health insurance
- Someone had signed her up for a Marketplace plan: she was a victim of Marketplace IDT
- IRS changed TP's tax return using "math error" authority (as opposed to deficiency procedures/Tax Court)
- We have reported this IDT to the IRS (TP previously reported to the Marketplace)
- No resolution yet, prior to the government shutdown, these cases were taking 650 days to resolve



## CASE STUDY #4 – UNREPORTED INCOME

- TP filed a 2019 tax return
- TP omitted \$30,000 of Cancellation of Debt Income
- IRS proposed to increase TP's MAGI by the \$30,000 causing his PTC to be reduced
- TP's FPL was less than 200% FPL so he was only responsible for a \$600 APTC repayment
- However, we argued that CODI was not taxable because TP was insolvent
- IRS agreed and TP's tax return was processed without change avoiding a \$9,000 tax assessment



## CASE STUDY #5 – AMERICAN RESCUE PLAN ACT

- TP went to a professional return preparer to have her 2020 return prepared
- RP included a \$2,700 repayment of PTC on that return
- 2020 APTC repayments were waived by the American Rescue Plan Act (Section 9662)
- RP wanted \$500 to correct the tax return!
- Our office prepared the amended tax return to remove the \$2,700 PTC repayment
- RP made other errors resulting in a \$3,050 balance due when she should have been entitled to a refund of \$3,643, we resolved all errors and TP received her true refund, plus interest

## CASE STUDY #6 – FILING STATUS

- TP is married and filed MFS tax return
- Eligibility for Premium Tax Credit requires MFJ filing status if TP is married, thus, she had to repay PTC
- Exceptions for domestic abuse, spousal abandonment that impedes MFJ
- Domestic abuse includes physical, psychological, sexual or emotional abuse
- Facts and circumstances analysis including effects of drugs or alcohol and abuse of a child or other family member
- Repayment limitations for TPs whose income is less than 400% FPL (PPACA Section 1401(a), amended PL 112-9)



# THANK YOU

Mary Ann David

Senior Attorney at Legal Services of  
Greater Miami, Inc.

4343 West Flagler Street, Suite #100,  
Miami, Florida 33134

305.438.2557

[mdavid@legalservicesmiami.org](mailto:mdavid@legalservicesmiami.org)

[www.legalservicesmiami.org](http://www.legalservicesmiami.org)