

# Reconciliation & Premium Tax Credit

Reconciliation is part of a 2-step process that begins with your Marketplace application and ends with your tax return.

STEP  
1

## Marketplace Application for the upcoming year

On your Marketplace application (healthcare.gov) you estimate next year's income. Relying on that estimate, the Marketplace calculates the Premium Tax Credits you would be eligible to receive based on a combination of your household income, household size and county in which you live.

### Eligibility Letter Example

Eligible for advance payments of **\$193** in premium tax credits to help pay for health insurance.

That \$193 is based on your estimated household income for 2018, which is **\$21,800** in this example.

### Results

- Eligible for a tax credit (\$193.00 each month, which is \$2,316.00 for the year, for your tax household). This calculation is based on the yearly household income of \$21,799.92. This is the amount that you provided on your Marketplace application or the amount that came from the most recent income data sources available.
- Eligible to purchase health coverage through the Marketplace
- Can choose a health plan with lower copayments, coinsurance, and deductibles (05)

After you select a plan, the government will send the insurance company a set amount of Premium Tax Credits every month based on the income amount you estimated. Throughout 2018, you are responsible for paying the difference between the full cost of the plan and the amount the US government is advancing to the insurance company for your benefit.

### VIEW PLAN BENEFITS

Base premium **\$285.11**/mo.

Premium tax credit **-\$193.00**/mo.

You pay: **\$92.11**/mo.

### Example

Here, the plan selected costs \$285.11 each month.

The US government pays the insurance company \$193 every month on your behalf, based on the information and income estimate you provided in your 2018 Marketplace application.

You pay the insurance company the remaining portion of \$92.11 per month.



**STEP  
2**

# Tax Return for the completed year

When you file your taxes for 2018, the tax return determines exactly what your taxable income was for the past year. If you are self-employed and have no other sources of income, your taxable income will be the profit from your self-employed work.

Now that you know the exact amount of your income for 2018, the government needs to determine the exact amount of Premium Tax Credits that you were eligible to receive in 2018.

Form 1095-A Health Insurance Marketplace Statement is used to determine the difference between the Premium Tax Credits that were paid on your behalf during 2018 based on *your estimated income* and the exact amount of Premium Tax Credits you are eligible to receive based on *your actual 2018 income*.

Form <b>1095-A</b>	<b>Health Insurance Marketplace Statement</b>	<input type="checkbox"/> VOID	OMB No. 1545-2232
Department of the Treasury Internal Revenue Service	▶ Do not attach to your tax return. Keep for your records. ▶ Go to <a href="http://www.irs.gov/Form1095A">www.irs.gov/Form1095A</a> for instructions and the latest information.	<input type="checkbox"/> CORRECTED	<b>2018</b>

**Part I Recipient Information**

1 Marketplace identifier	2 Marketplace-assigned policy number	3 Policy issuer's name
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**Part III Coverage Information**

Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit
21 January	285.11	295.26	193.00
22 February	285.11	295.26	193.00

Total cost of your plan

Premium Tax Credits paid to the insurance company on your behalf

If your actual income for 2018 is **MORE THAN** the total you estimated on your Marketplace application, **you received too much in Premium Tax Credits.** You'll need to pay back the excess in Premium Tax Credits that were paid on your behalf.

If your actual income for 2018 is **LESS THAN** the total you estimated on your Marketplace application, **you are eligible for more help with covering your insurance costs.** You'll get these additional credits back on your tax return. There is no penalty or money due if you end up earning less than the amount you estimated on your Marketplace application.

This is the reconciliation that happens on your tax return: it determines the difference between Premium Tax Credits that were paid on your behalf throughout the year based on your estimated income for the year and the amount of Premium Tax

Credits you are actually eligible to receive based on your actual income.

**Good News!** There are consumer protections that limit the amount you have to pay back, depending on your actual income in 2018.

**How can I avoid having to pay back a lot of money?**

During the year, schedule an appointment with Foundation Communities (schedule online at [www.InsureCentralTexas.org](http://www.InsureCentralTexas.org)) to update your income if it will be significantly higher than what you estimated on your application.

