

The ACA Health Insurance Individual Mandate and Expatriates

INTERNATIONAL HEALTH INSURANCE AND AVOIDING FINES FROM THE IRS

BRIEF: Information regarding the new ACA Individual Mandate rules from IRS.gov and Healthcare.Gov for individuals living or visiting overseas for extended periods and on individual international health plans.

From: The staff at Good Neighbor Insurance

“There is no tax penalty for purchasing (ed. international health) policies if you are outside the U.S. for 330 days within a 12-month period. In this instance, you are deemed to have met the individual mandate. Additionally there is no tax penalty applicable to J1, F1, M1 visa holders and other populations that meet one of the exemption categories related to the ACA individual mandate.”

This paper is written for those living and working overseas or volunteering overseas.

If you are an expatriate and you have not lived outside the USA for more than 330 days in a 12-month period, and you did not have creditable coverage in the USA for that portion of the year, you may be subject to IRS penalties this tax year. See <https://www.healthcare.gov/exemptions-tool/#/results/2015/details/citizen-abroad> for specific instructions. For this purpose, “minimum essential coverage” includes a group health plan provided by an overseas employer.

If 1.) you were residing outside the USA more than 330 days OR 2.) if you are considered a bona fide resident of a foreign nation, you are exempt.

According to the IRS, “If one of these applies to you, you don’t have to pay the fee for the months you didn’t have health coverage.”

If you’re a U.S. citizen or resident living abroad: You can claim the coverage exemption for any month during your tax year that’s included in the 12-month period. Details: Physical Presence Test in Pub. 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad

You meet the physical presence test if you are physically present in a foreign country or countries 330 full days during a period of 12 consecutive months. The 330 qualifying days do not have to be consecutive. More at: <https://www.irs.gov/Individuals/International-Taxpayers/Foreign-Earned-Income-Exclusion---Physical-Presence-Test>

However, if you don’t qualify for these exemptions, (i.e. you spent more than 35 days in the USA), and you are on an individual or family health plan overseas, you may still be required to pay an “individual shared responsibility payment” for the months of 2015 while in the USA and not covered by a domestic ACA-compliant health plan.

- Learn more about the fee: <https://www.healthcare.gov/fees-exemptions/fee-for-not-being-covered/>
- There is also a tool the IRS provides to determine if you are exempt: <https://www.healthcare.gov/exemptions-tool/>
- And at chart published by the IRS at <https://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Exemptions>
- IRS Tax Guide For U.S. Citizens and Resident Aliens Abroad, Pub 54 at <https://www.irs.gov/pub/irs-pdf/p54.pdf>

What is the Individual Shared Responsibility Payment?

<https://www.irs.gov/Affordable-Care-Act/The-Individual-Shared-Responsibility-Payment-An-Overview>

(This document clarifies that you may be exempt from the requirement to maintain qualified coverage if you have a gap in coverage for less than three consecutive months. - This is known as a grace period to acquiring insurance.)

The IRS also has more questions and answers here: <https://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision>

The IRS offers this statutory exemption: *Short coverage gap.*

“You went without coverage for less than three consecutive months during the year. For more, see question 22.

#22. What qualifies as a short coverage gap?

In general, a gap in coverage that lasts less than three months qualifies as a short coverage gap. If an individual has more than one short coverage gap during a year, the short coverage gap exemption only applies to the first gap.

(ed. Re: multiple trips in and out of the USA - Only the first trip per 330 days overseas is counted towards the exemption.)

“If you went without coverage for less than three consecutive months (while in the USA) during the year you may qualify for the short coverage gap exemption and will not have to make a payment for those months.”

This is called the Short-Gap exemption.

More on the Short-Gap exemption (or grace period) here: <https://www.healthcare.gov/exemptions-tool/#/results/2015/details/short-gap>

You may also qualify for an exemption for other reasons, such as low income.

“I was in the USA more than three months this last year, what will the fee be?”

See: <https://www.healthcare.gov/fees/fee-for-not-being-covered/>

See: <https://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Calculating-the-Payment>

The fee for not having PPACA health insurance in 2015

The penalty in 2015 is calculated in one of 2 ways – as a percentage of your household income, and per person.

You'll pay whichever of these amounts is higher:

Percentage of income

- 2% of your yearly income above the filing threshold. The 2% share responsibility payment cannot exceed the national average expense of a bronze level plan which the Congressional Budget Office estimates is between \$4,500 - \$5,000 per individual. (See filing thresholds in financial examples below)

Per person

- \$325 per person for the year (\$162.50 per child under 18).

The maximum penalty per family using this method is \$975.

Financial Examples - Individual Income: \$50,000 Taxable income = \$39,850 (individual income (\$50,000) - taxable threshold for individual (\$10,150)) Shared responsibility payment = \$797 annually, \$66.42 monthly (taxable income X 2%)

Financial Examples - Family Income: \$100,000 Taxable income = \$80,000 (individual income (\$100,000) - taxable threshold for couple/family (\$20,000)) Shared responsibility payment = \$1,600 annually, \$133.33 monthly (taxable income X 2%) You may also qualify for an exemption for other reasons, such as low income.

The fee for not having PPACA health insurance in 2016

The fee is calculated 2 different ways – as a percentage of your household income, and per person.

You'll pay whichever of these amounts is higher.

Percentage of income

- 2.5% of household income
- Maximum: Total yearly premium for the national average price of a Bronze plan sold through the Marketplace

Per person

- \$695 per adult
- \$347.50 per child under 18
- Maximum: \$2,085

In general, the payment amount is either a percentage of your income or a flat dollar amount, whichever is going to be greater. You will owe 1/12th of the annual payment for each month you (or your dependents) do not have coverage and are not exempt. The annual payment amount for 2014 is the greater of:

- 1 percent of your household income that is above the tax return threshold for your filing status, such as Married Filing Jointly or single, or
- Your family's flat dollar amount, which is \$95 per adult and \$47.50 per child, limited to a maximum of \$285.

You may also qualify for an exemption for other reasons, such as low income.

The fee for not having PPACA health insurance in 2017 and beyond

The same as 2016, but adjusted annually for cost-of-living increases.

You may also qualify for an exemption for other reasons, such as low income.

Filing exemptions:

<https://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Exemptions>

Paying the fee

- Using the percentage method, only the part of your household income that's above the yearly tax filing threshold (\$10,150 for individuals, \$20,300 for couples filing jointly in 2014, the most recent year available) is counted.
- Using the per-person method, you pay only for people in your household who don't have insurance coverage.
- If you have coverage for part of the year (while in the USA), the fee is 1/12 of the annual amount for each month you (or your tax dependents) don't have coverage. If you're uncovered only 1 or 2 months, you don't have to pay the fee at all. Learn about the "short gap" exemption.
- You pay the fee when you file your federal tax returns for the months/year you were in the USA (beyond three months) and didn't have coverage.

Are children subject to the individual shared responsibility provision?

Yes. Each child must have minimum essential coverage or qualify for an exemption for each month in the calendar year. Otherwise, the adult or married couple who can claim the child as a dependent for federal income tax purposes will generally owe a shared responsibility payment for the child.

Are senior citizens subject to the individual shared responsibility provision?

Yes. Senior citizens must have minimum essential coverage or qualify for an exemption for each month in a calendar year. Both Medicare Part A and Medicare Part C (also known as Medicare Advantage) qualify as minimum essential coverage.

Does Short-term travel outside the USA exempt me from the ACA rules?

No. Short-term travel outside the U.S. has no bearing on a U.S. resident's obligations under the ACA.

What if I want to get creditable U.S. Health coverage now?

The last day of the 2015 Open Enrollment period was February 15, 2015.

The Open Enrollment period for 2016 coverage is November 1, 2015 to January 31, 2016.

Outside the Open Enrollment period, you can enroll in health coverage only if you have a life change that qualifies you for a Special Enrollment Period or for coverage through Medicaid or the Children's Health Insurance Program (CHIP). Learn about getting coverage outside Open Enrollment.

"There is no tax penalty for purchasing policies if you are outside the U.S. for 330 days or more during any period of twelve consecutive months. In this instance, you are deemed to have met the individual mandate. Additionally there is no tax penalty applicable to J1, F1, M1 visa holders and other populations that meet one of the exemption categories related to the ACA individual mandate."

"What if my U.S. domestic health insurance provider cancelled me because I was out of state more than two months?"

According to the IRS, you can apply for an exemption from the fee. See No. 12 here: Your individual insurance plan was cancelled and you believe other Marketplace plans are unaffordable - <https://www.healthcare.gov/health-coverage-exemptions/hardship-exemptions/> You will need to fill out the form here: <https://www.healthcare.gov/exemptions-tool/#/results/2015/details/coverage-canceled>

More on IRS exemptions you might qualify for:

<https://www.healthcare.gov/health-coverage-exemptions/exemptions-from-the-fee/>

Accepted exemptions by the IRS can be found on this page:

<https://www.healthcare.gov/health-coverage-exemptions/forms-how-to-apply/>

And at <https://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Exemptions>

According to the IRS, you claim some health coverage exemptions on your federal tax return. Others you have to apply for with a paper application.

"What do I need to do if I am required to make a payment with my tax return?"

See the bottom of <https://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision>

Please direct questions regarding ACA health mandate to the two sites cited above.

Please direct questions regarding international health insurance coverage to Good Neighbor Insurance, Individual and Short-Term Team Department, 866-636-9100 or info@gninsurance.com. Good Neighbor Insurance, 690 E Warner Road #117, Gilbert, AZ 85296

The information above is provided for general instructional purposes only and is not intended to be legal guidance, opinion, or serve as a substitute for advice from licensed, legal and/or tax professionals. The law and tax regulations change frequently and may vary depending on jurisdiction. All risk of loss or damage based upon this information is solely that of the User; and Good Neighbor Insurance disclaims any and all liability thereof.