

Fact Sheet #4 for War Tax Resistance Counselors

WTRs and the Affordable Care Act

Post-Republican Tax Bill: Into Uncertainty

The passage and implementation of the Affordable Care Act (ACA, or Obamacare) had many implications for war tax resisters and tax refusers. During 2014, the first year when major provisions were implemented, the NWTRCC office received many calls from nonfilers in our network who resented the mandate that might push them into the system. Many wanted health insurance but were in a quandary about having to file a return or be impacted by the insurer reports that would be sent to the IRS. Married couples who filed separately could not receive the credits. On the positive side, others in our network were happy that the tax credits lowered or zeroed-out their taxable income (although the forms and calculations precipitated a rush to professional tax preparers).

Through it all NWTRCC has tried to keep up with the tax affects and resulting tangle for war tax resisters. However, just when we thought we understood it, the Republicans got a majority in Congress and the ACA was on the chopping block. The December 2017 “tax overhaul bill” has become law. It zeros out the penalty fee for the “individual mandate,” which requires most Americans to have health insurance or pay a penalty. The penalty repeal takes effect in 2019. The penalties still apply in 2017 and 2018 at the same level: \$695 per adult or 2.5% of household income in excess of tax filing thresholds, whichever is higher.

With all the publicity around the repeal, there will be widespread uncertainty about buying insurance and/or paying any penalties that might be applied. Up to now it seems the IRS has collected any fees owed, whether for having too high a subsidy during the year or owing the mandate penalty, from income tax refunds due a filer. Other taxpayers have been billed for these amounts if they went unpaid, but we have not heard about the IRS applying enforcement actions stronger than sending letters.

For the 2017 tax filing season, the IRS says they will reject tax returns that do not include health insurance information. At the same time, the IRS is overwhelmed with all kinds of changes related to the new bill and has been understaffed for years because of steady budget cuts. Whether the IRS can keep up with everything they are asked to do, including collection, is an open question.

This fact sheet will maintain some of the stories about applying or calculating taxes under the ACA, but it will probably need updating soon. WTR counselors learn from experiences, so please keep NWTRCC posted on your stories related to the ACA, health care, and the IRS.

Application Process Under the ACA

A few stories from WTRs applying for insurance:

- Some found that there are options other than tax forms to prove your income. Those with low incomes are supposed to apply for Medicaid, but your income has to be quite low. Many low and moderate wage earners will not qualify for financial help and will find the cost of the insurance beyond their means.
- One chose to answer “no” when asked if she was going to file a tax return; she also chose not to enter her social security number. Her application got stuck, and the phone support people were unable to help. Given the problems with signing up, this may have nothing to do with her answers.
- One New York State resister reported that after getting through the basic questions, they were asked to agree to this: *As part of the application process, we may need to retrieve your confidential information from data sources, including Social Security, Department of Homeland Security, Department of Corrections and Community Supervision, and other state databases the Department of Health determines are necessary to decide if you qualify.* This sort of cooperation between agencies is troubling and made paying the penalty for no insurance more appealing.
- One resister asked an insurance marketplace helper whether having a tax debt would disqualify her for the subsidy. The reply: *Past debt/issues will not in themselves cause any problem in qualifying for the tax credit (i.e., the subsidy to reduce one’s monthly insurance premium). However, everyone receiving the tax credits must agree to file a tax return, and on that return they will need to reconcile their actual income with projected income which was the basis for the tax credits. If they don’t file the return, it can cause a problem renewing the tax credits in future years.*

Real-Life Problems and Successes

- A war tax resister wrote: “Did you know that the Obamacare subsidy—to make health insurance affordable for families up to a level of 400% poverty level—is not available to couples whose tax status is “married filing separately”? So needless to say, at 201% of poverty level, we can’t afford the \$8K/year cost and will remain uninsured.” For many couples where one resists and the other does not, filing separately and keeping finances separate is important.
- Another had this story: I have been deemed eligible to purchase insurance from the exchange without a subsidy even though, due to my income, I should qualify for a subsidy.

Apparently, the cost for insurance is \$4,000 a year, which I cannot afford. My understanding is that insurance subsidies come in two forms: one is a discount on the insurance and the other is a rebate on taxes. Since I don't always file, they cannot give me the rebate. By denying me the subsidized insurance — I am required to pay the full cost first — I am being denied an affordable plan.

- For another it's working well: It looks like I will be able to have a high-deductible health insurance plan that allows me to continue to contribute to a tax-advantaged Health Savings Account. My strategy of keeping my adjusted gross income (AGI) below a certain threshold in order to avoid income tax has the side-effect of qualifying me for the maximum subsidy: I will be paying next-to-nothing (a token dollar per month) for this insurance. As a self-employed person, I've been permitted to take the cost of my health insurance premium as an "above-the-line" deduction on my 1040 (that is, a deduction that has the effect of lowering my AGI). Because of this, although my premium is going up, this won't translate to any extra spending money for me as it wasn't money I was spending out of my post-tax income anyway. However, I'll need to bring in less income next year to meet my over-all expenses. In other words, I'll be able to maintain the same standard of living while having to work for less income. (*Search* sniggle.net/TPL for updates to this story.)

- In New Hampshire at least, if you state that you will make below \$11,400 annually, you will not qualify for insurance on the exchange. However, if you make below that then you do not qualify for Medicaid in New Hampshire either. That is where the whole Medicaid expansion struggle in New Hampshire and other states is taking place. The states that only cover the disabled, mothers, and children are being encouraged through a subsidy from the federal government to expand coverage up to the exchange minimum. In the case of New Hampshire, that minimum is \$11,400.

- If you earn more during the year than you expected, you may end up having to pay back some of the subsidy when you file. How and whether the IRS will enforce collection or not is uncertain, but they have seized refunds that were due. If you are a salaried employee with a W-4, check the number of allowances and try to prevent getting a refund to avoid this consequence (and avoid giving a loan to the government).

We will continue to follow the ACA and health insurance issues as it affects war tax resisters. Also see our booklet, *Practical #7: Health Care and Income Security for War Tax Resisters*. You can read it free at nwtrcc.org/war-tax-resistance-resources/pamphlets, or order it for \$1.00 from the NWTRCC office.

Your stories from personal experience about health care are most helpful. Please be in touch with the NWTRCC office if you have more information on this topic.

Possible Actions

- War tax resisters who file will be more likely to work Obamacare into their lives one way or another. The issues related to "married filing separately" and the inability to benefit from the subsidy has repercussions for couples that we will try to follow. For nonfilers the choices are tougher. It is getting harder and harder to stay "out of the system."
- Presumably if you do not have health insurance, you will not have to pay a penalty from this point on. The IRS itself is overwhelmed with all the tax changes and continued budget cuts. If you received too a subsidy for health insurance that was too high, the IRS can collect easily from a refund (if you are owed a tax refund). Whether they will enforce collection in other ways, such as garnishing wages or seizing bank accounts, is uncertain.
- If you are someone who is supposed to sign up but does not want to or can afford not to, you can opt out and pay a penalty. Although not well publicized, the healthcare.gov website does have information about the penalty, which is the higher of these amounts: 1% of your yearly household income (maximum is the national average yearly premium for a bronze plan), or, \$95 per person for the year (\$47.50 per child under 18). The penalty amount will increase every year.
- If you live without health insurance one resister suggests going to the financial aid office of the hospital(s) of your choice. Prior to the Affordable Health Care Act, many hospitals provided qualified patients with free or low cost care. For a single person, income could not exceed approximately \$24,000 a year and your bank account could not have more than \$2,400 in it. If you fell below these thresholds, then care was free and you could apply for free prescriptions as well. You have to ask about these opportunities because hospitals will not tell you. Search for your hospital online and include financial aid in the search. Some hospitals now have their financial aid information posted on the internet.
- Please tell your stories to the NWTRCC office so that we can keep expanding our base of knowledge on this topic.

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