



tax preparation company H&R Block said Tuesday.

Among its customers who owe a penalty for the 2015 tax year, the average fine is \$383, compared with \$172 for 2014, the company said.

Separately, among those who complied with the law and took advantage of its taxpayer-subsidized private health insurance, 6 in 10 are now having to pay back to the IRS some portion of their financial assistance.

Those payments also are trending higher this year, averaging \$579, compared with \$530 last tax season.

Although millions of uninsured people have gained coverage through the Affordable Care Act, the update from H&R Block underscores the extent to which the law's complex provisions remain a challenge for many consumers.

The law provides subsidized insurance for people who don't have access to coverage on the job. By using the income tax system to deliver the subsidies as tax credits, the White House and congressional Democrats were able to call the health law a middle-class tax cut.

But it also connected two of the most complicated areas for consumers: health care and taxes. At tax time, people have to account for the subsidies they received for health care or, if they remained uninsured, pay a fine.

H&R Block said it expected to see lots of confusion last year, the first time that consumers had to grapple with the connections between the health law and the income-tax system. But such issues don't seem to have diminished this tax filing season.

"Even the people going through it a second time weren't getting any

better at it," said Mark Ciaramitaro, the company's vice president for taxes and health care. About the same proportions of returning customers and new customers wound up having to repay subsidies.

Ciaramitaro said many consumers appear to be having problems correctly estimating their incomes for the year ahead. Lower-income workers who represent a big part of the customer base for coverage can have sizable swings in their earnings over the course of 12 months.

Underestimating income results in a bigger tax credit up front to help pay your premiums. But at tax time any overpayment has to be repaid—usually subtracted from the consumer's tax refund. H&R Block said those who owed money back saw about a 20 percent reduction in their federal refunds.

Only 3 percent of its customers with health law subsidies saw no impact on their refunds, meaning they correctly estimated their incomes, or called HealthCare.gov to report changes during the year.

More than 1 in 3 overestimated their incomes, meaning that received a smaller tax credit than they were entitled to. They got an average of \$450 back from the IRS.

As for the health care law's fines, they're meant as a stiff nudge to get healthy people who can afford coverage to join the insurance risk pool, thereby helping to keep premiums more manageable for everyone.

Exemptions are available for people with low incomes or who face other extenuating circumstances. But the law's requirement to have coverage or risk fines remains highly unpopular.

The minimum fine went up from \$95 in 2014 to \$325 for the 2015 tax year. It rises again this year to \$695 for an adult uninsured for a full 12

months.

H&R Block said that means an uninsured family of four earning \$60,000 will face a penalty of \$975 for this year, compared with about \$400 for 2015. Next year, that same hypothetical family would face a penalty of \$2,000 at tax time.

With 2016 open-enrollment season over, uninsured consumers have few options for avoiding fines next year at tax time. If they don't qualify for a hardship exemption, they can try to find a job that provides health insurance, or see if they meet the criteria for a special sign-up period through HealthCare.gov.

© 2016 The Associated Press. All rights reserved.

Citation: Health law fines double for many uninsured at tax time (2016, March 8) retrieved 27 April 2024 from <https://medicalxpress.com/news/2016-03-health-law-fines-uninsured-tax.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.