

Millions will not have to pay Obamacare tax penalties, report says

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More uninsured will qualify for exemptions in 2016 than earlier estimates showed, experts say.

(HealthDay)—Just a fraction of Americans will pay federal tax penalties in 2016 for not having health insurance, new projections show.

Although an estimated 30 million people will still be uninsured in 2016, only 4 million are expected to pay penalties, according to the latest report from the nonpartisan Congressional Budget Office (CBO).

That's 2 million fewer people than CBO projected in September 2012.

The revised estimates reflect an increase in the number of Americans who experts believe will qualify for exemptions from federal tax penalties under the Affordable Care Act, which is often called "Obamacare."

Starting this year, the health reform law requires most legal U.S. residents to have health insurance. Those that don't have coverage could face federal penalties when they settle up with Uncle Sam on their tax returns next year.

In 2012, the U.S. Supreme Court upheld the health reform law's so-called individual mandate requiring most Americans to carry [health insurance](#) or pay penalties.

The penalties come in two forms: a flat amount or a percentage of adjusted gross income per household—whichever is greater. Penalties start at \$95 per adult in 2014, rising to \$695 per adult in 2016 (half of that for uninsured kids), or 1 percent of household income in 2014, up to 2.5 percent in 2016.

But there are plenty of exceptions to the rule, a few of which were spelled out in regulations issued after the CBO's initial projections.

"For consumers that have made good-faith efforts to obtain coverage but because their state hasn't expanded Medicaid or they've been unable to find affordable alternative coverage, making sure that they get an exemption from the mandate is a fair thing to do," said Sabrina Corlette, senior research fellow and project director at Georgetown University's Health Policy Institute in Washington, D.C.

People can get a bye from the penalties for many reasons, such as not earning enough to file a [federal income tax](#) return or being locked out of Medicaid because their state has not expanded eligibility under the Affordable Care Act.

Americans may also apply for a "hardship exemption" if certain life circumstances, including a bankruptcy, prevent them from obtaining coverage.

"Particularly in this first transitional year, I think being liberal toward the granting of exemption is the right call," Corlette said.

With fewer people paying penalties, the CBO expects the federal government to take in \$3 billion less than anticipated. An estimated \$4 billion will be collected in 2016 and \$5 billion a year from 2017 through 2024.

"That has no effect on the implementation of the law whatever," said Paul Van de Water, senior fellow at the Center on Budget and Policy Priorities in Washington, D.C., and a former head of the CBO division responsible for such cost estimates.

To the extent that consumers are able to benefit from the exemptions, "then that's presumably a good thing for them," he said.

More information: Go to HealthCare.gov to learn more about [exemptions from the Affordable Care Act tax penalty](#).

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