

New woes for HealthCare.gov: Wrong tax info sent out (Update)

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In this Nov. 12, 2014 file photo, the HealthCare.gov website is seen in Portland, Ore. About 800,000 HealthCare.gov customers got the wrong tax information from the government, the Obama administration disclosed Friday, and officials are asking those affected to delay filing their 2014 returns. The tax mistake disclosed Friday is a self-inflicted injury that comes on the heels of what President Barack Obama had touted as a successful sign-up season, with about 11.4 million people signed up. (AP Photo/Don Ryan)

In a new setback for the health care law and the people it's supposed to help, the government said Friday it made a tax-reporting error that's fouling up the filings of nearly a million Americans.

After a successful sign-up season, the latest goof could signal new problems with the complex links between President Barack Obama's health care overhaul and the nation's income tax system.

Officials said the government sent the wrong tax information to about 800,000 HealthCare.gov customers, and they're asking those affected to delay filing their 2014 returns. The issue involves a new government form called a 1095-A, which is like a W-2 form for health care for people who got subsidized private coverage under Obama's law.

People can find out whether they're affected by logging in to their accounts at HealthCare.gov, where they should find a message indicating whether they were affected or not. They also can check by phoning the federal customer service center at 800-318-2596.

Separately, California announced earlier that it had sent out inaccurate tax forms affecting about 100,000 households. The state is not part of the federal market but runs its own insurance exchange.

HealthCare.gov said in a blog post that the federal mistake happened when information on this year's premiums was substituted for what should been 2014 numbers. The website had a technology meltdown when it was launched back in 2013, but seemed to have overcome its problems this enrollment season.

"It's just another black mark on the administration's handling of the health care act," said Roberton Williams, a senior fellow at the nonpartisan Tax Policy Center in Washington. "They were hoping for a clean season."

"For many of these impacted taxpayers, the tax refund could be the single largest financial payout of the year," said Mark Ciaramitaro, H&R Block's vice president for health care. Many people due a refund file well before the April 15 deadline. "They are being told to wait," he added, "further delaying access to their tax refund."

On another matter, the administration also announced a special sign-up extension for uninsured people who would face the health care law's tax penalties for the first time this year.

Several million households could benefit from that grace period, which had been sought by Democratic lawmakers.

Uninsured people who go to file their taxes and learn they're facing a penalty will have between March 15 and April 30 to sign up through HealthCare.gov. Otherwise, they would not have had an opportunity until the fall. Fines for being uninsured are going up significantly in 2015.

The tax-document mistake was a self-inflicted wound after what Obama had personally touted as a successful open-enrollment season, with about 11.4 million people signed up.

On Capitol Hill, Democrats were frustrated, but they gave the administration some credit for disclosing the error early instead of letting the problem compound as tax season advances.

The White House downplayed the consequences. "It's a small percentage of overall tax filers," said spokesman Josh Earnest. "You're talking about less than 1 percent of people who file taxes."

At the Health and Human Services Department, Andy Slavitt, who oversees health insurance programs, said consumers affected by the problem will be notified starting immediately via phone calls and emails. They represent about 1 of every 5 HealthCare.gov customers who got subsidies in 2014.

An estimated 50,000 people who have already filed their taxes will receive special instructions from the Treasury Department, he said. All corrected forms should be available by early March.

Slavitt said the error involved a "benchmark" premium that is used to help determine the subsidies that individuals receive. It's unclear whether the impact would favor the government or individual policyholders. Slavitt said it's a mix.

The tax error highlights the complicated links between Obama's health care law and taxes, connections that consumers are experiencing for the first time this year. The law subsidizes private health insurance for people who don't have access to job-based coverage. Those subsidies are mainly based on income.

By packaging the benefit as a tax credit, the law's

supporters were able to promote it as a tax cut. But that also introduced new wrinkles to an already-complicated tax system at a time when Republicans have put the squeeze on the IRS budget.

Other issues could emerge later this spring. Consumers filing their taxes have to verify to the IRS that they got the amount of subsidy they were legally entitled to. If they received too much, their refunds will get dinged. Too little, and the government repays them. Some experts suspect that many consumers may have underestimated their 2014 incomes and gotten too big a subsidy.

"This is very complicated, and we've got all these different pieces coming together that will be prone to error," said Williams, the tax policy expert.

More information: HealthCare.gov blog: tinyurl.com/p3gk55c

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