



# Reconciling Advance Payments of the Premium Tax Credit (APTC) and Failure to File and Reconcile (FTR)

Helping consumers understand  
APTC reconciliation and the  
consequences of failing to file a tax  
return and reconcile APTC

*January 22, 2020*

*This communication was printed, published, or produced and disseminated at U.S. taxpayer expense. The information provided in this presentation is intended as a general informal summary of technical legal standards. It is not intended to take the place of statutes, regulations, and formal policy guidance that it is based upon. This presentation summarizes policy and operations current as of the date it was presented. Links to certain source documents have been provided for reference. We encourage audience members to refer to the applicable statutes, regulations, and other interpretive materials for complete and current information about the requirements that apply to them.*



# Purpose

**This assister webinar provides background information, knowledge checks, and real-world consumer scenarios for the following topics:**

- I. Reconciling Advance Payments of the Premium Tax Credit (APTC)
- II. The impact of not filing taxes and reconciling APTC on time (FTR)

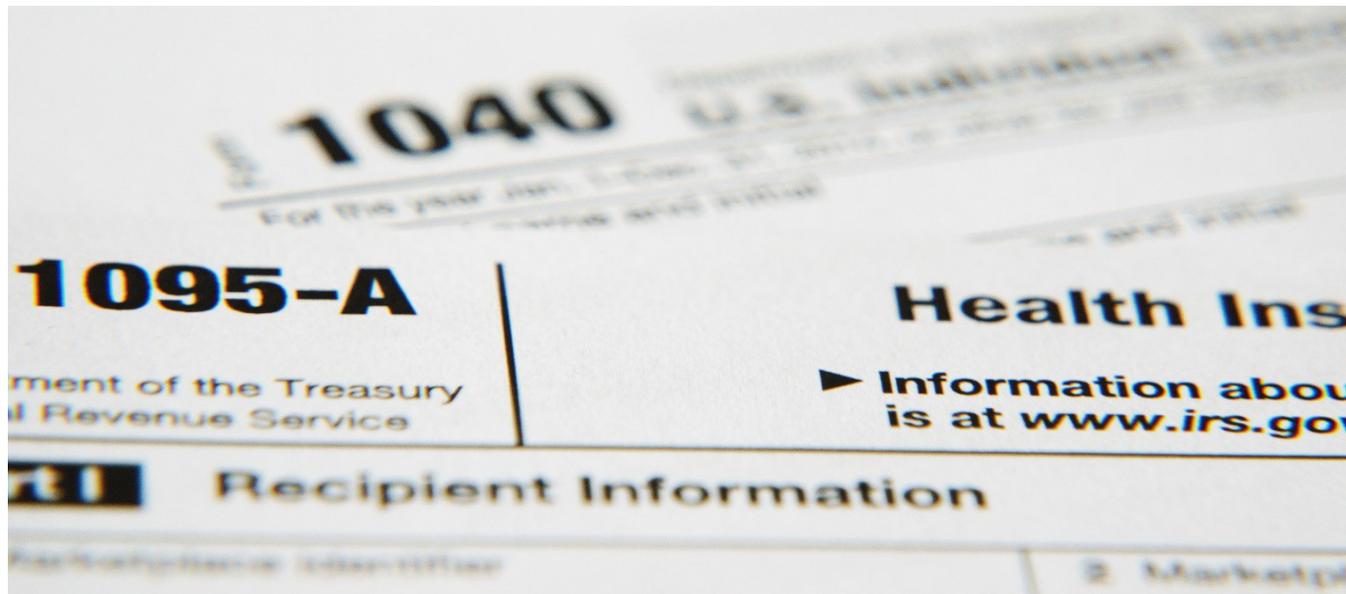
For more information, assisters should refer to:

- *SOP 12 – Reporting Minimum Essential Coverage and Reconciling Advance Payments of the Premium Tax Credit*

# I. APTC Reconciliation

# APTC Reconciliation

Consumers who purchase coverage through the Marketplace should receive IRS [Form 1095-A](#), *Health Insurance Marketplace Statement*, from the Marketplace by early February. If this form shows that APTC was paid on behalf of a consumer or a member of their family, the household's tax filer is required to complete IRS [Form 8962](#), *Premium Tax Credit*, to reconcile those advance payments.



# What Does it Mean to “Reconcile?”

- If a consumer had a Marketplace plan and used [APTC](#) to lower their monthly premium payment, they (or their tax filer) will have to “reconcile” when they file their federal income taxes. This means they’ll include IRS Form 8962 when they file their taxes. This process compares two figures:
  - The amount of premium tax credit the consumer used in advance during the year (i.e., APTC). This was paid directly to their health plan issuer to lower the consumer’s monthly premium payment.
  - The amount of Premium Tax Credit (PTC) the consumer qualifies for based on their actual income for the year.
- Any difference between the two figures will affect a tax filer’s Federal tax refund or tax owed.

# Consequences of Not Reconciling APTC

- If APTC is paid on behalf of someone in their family and the tax filer does not file a tax return and reconcile that APTC with IRS Form 8962, they will not be eligible for APTC or cost-sharing reductions (CSRs) to help pay for their Marketplace coverage in future years. This means that they will be responsible for the full cost of their monthly premiums until they file and reconcile past APTC.
- Form 1095-A, received from the Marketplace, provides information tax filers will need when completing IRS Form 8962.
  - If consumers have questions about the information on Form 1095-A or about receiving Form 1095-A, they should contact the Marketplace directly.

## II. Failure to File and Reconcile (FTR)

# Recap: Failure to File and Reconcile (FTR)

- To avoid losing APTC and CSRs for 2020, tax filers must file 2018 federal income tax returns and reconcile APTC using Form 8962. Otherwise, IRS will return a response to the Marketplace when the Marketplace seeks income data that the tax filer has not filed and/or reconciled APTC (referred to as an “FTR response”).
- IRS information is available to the Marketplace may be outdated since it can take IRS up to 12 weeks to process a tax return once it’s filed. Because of this, consumers can attest on the application that their tax filer filed/reconciled, which allows consumers to be determined eligible for APTC, if otherwise eligible.

## **Did Ruthie reconcile premium tax credits on their tax return for any past years?**

Optional. Check the box below if all of these apply to you:

- Ruthie got premium tax credits to help pay for Marketplace coverage.
- The tax filer(s) on Ruthie's application filed a federal income tax return for the same year Ruthie used tax credits. For example, in 2017 Ruthie got help paying for coverage and Ruthie also filed a tax return for that same year.
- The tax filer(s) submitted [IRS Form 8962](#) with the tax return.

[Learn more about reconciling premium tax credits](#)

Yes, I reconciled premium tax credits for past years.

# Recap: FTR During Open Enrollment (OE)

There are two ways the Marketplace uses the federal eligibility and enrollment platform to verify during Open Enrollment (OE) that tax filers complied with the requirement to file their federal income tax return and reconcile prior APTC:

1. Enrollees return to the application during OE to let the Marketplace know their tax filer filed and reconciled.
  - *Example:* After filing their 2018 tax return and reconciling APTC, enrollees that returned to the Marketplace, created a 2020 application, and attested on the application that their tax filer had filed a tax return and reconciled APTC for all years when APTC was paid were able to receive APTC for 2020, if otherwise eligible.
2. If the enrollees don't return to the application and attest to filing/reconciling, the Marketplace checks IRS data twice, once prior to OE and again in December to see if the tax filer(s) filed and reconciled.
  - In September, the Marketplace checked IRS data and initially flagged currently enrolled consumers as FTR prior to OE. These consumers/tax filers received warning notices to file/reconcile immediately or risk losing APTC in January 2020.
  - In mid-December, the Marketplace checked IRS data again and re-enrolled with APTC any enrollees whose tax returns were processed by IRS since September.

# FTR Recheck

- Early in the new year following OE, the Marketplaces will use the federal eligibility and enrollment platform to perform a recheck of IRS data to verify that those who attested on the application actually filed and reconciled. This process is called “FTR Recheck.”
  - Example: In February 2020, the Marketplace will check the filing status of consumers who are enrolled in a 2020 Marketplace plan with APTC and for whom IRS data shows they received APTC in 2018 but their tax filers have not filed a 2018 tax return and reconciled APTC.
- The Marketplace will send warning notices to the affected households urging the tax filers to file and reconcile immediately, and after a short time, will check IRS data a final time and discontinue APTC for those households that are still FTR according to IRS data.

# Recap: The FTR Timeline

Month	Marketplace Action
September/ October, prior to OE	<ul style="list-style-type: none"><li>• First check of IRS data to identify non-filers and/or non-reconcilers</li><li>• Send Marketplace Open Enrollment Notices (MOENs) explaining the consumer's risk for losing APTC for the upcoming plan year to enrollees who received APTC in the prior year and whose tax filer did not file a federal income tax return for that year and reconcile APTC</li><li>• Send additional notice to tax filers who have not filed a tax return for the prior year and reconciled APTC</li></ul>
December, end of OE	<ul style="list-style-type: none"><li>• Second check of IRS data for those consumers who did not update their Marketplace application and were initially flagged as non-filers/non-reconcilers</li><li>• Re-enroll with APTC effective on January 1 those consumers who either 1) attested to filing and/or reconciling on their application, or 2) were no longer FTR according to the latest IRS data check<ul style="list-style-type: none"><li>○ Consumers who don't meet these criteria and received APTC in the prior tax year will be re-enrolled without APTC</li></ul></li></ul>
February, following OE	<ul style="list-style-type: none"><li>• Begin FTR recheck to verify that consumers who attested to filing/reconciling actually did so</li><li>• Mail FTR warning notices to consumers/tax filers who are enrolled with APTC and whom IRS data show are still FTR</li></ul>
Spring, following OE	<ul style="list-style-type: none"><li>• Final check of IRS data for the current plan year to confirm tax-filing/reconciliation status of consumers that attested to filing/reconciling</li><li>• Discontinue APTC for those consumers whose tax filers still have not filed and/or reconciled according to IRS data and send a new EDN reflecting the household's ineligibility for APTC for the current plan year</li></ul>

# Knowledge Check

**Question:** During FTR Recheck in 2020, when verifying whether a tax filer has reconciled previous APTC to determine the consumer's eligibility for APTC during 2020, why does IRS return to the Marketplace data from 2018 rather than 2019?



# Knowledge Check (Cont.)

**Question:** During FTR Recheck in 2020, when verifying whether a tax filer has reconciled previous APTC to determine the consumer's eligibility for APTC during 2020, why does IRS return to the Marketplace data from 2018 rather than 2019?

**Answer:** Because 2019 tax returns aren't due until April of 2020. At the point of the FTR Recheck, the most current tax return data on file with IRS is for tax year 2018.



# Scenario 1: OE and FTR



- Lucy enrolled in Marketplace coverage with APTC in 2018 for the first time.
- The Marketplace automatically re-enrolled her in 2019 coverage with APTC.
- She failed to file a tax return and reconcile her 2018 APTC by April of 2019.
- Lucy received a FTR notice from the Marketplace in October 2019 warning her that she would be re-enrolled in 2020 coverage **without** APTC if she didn't file a 2018 tax return and reconcile her 2018 APTC.
- She wants to know what she needs to do to keep APTC for 2020.

**As an assister**, how do you help Lucy?

# Scenario 1: OE and FTR (Cont.)

- 1. Explain to Lucy that her failure to file a 2018 tax return and reconcile 2018 APTC could result in the loss of APTC for PY 2020.**

Because of her FTR status, Lucy has two options:

1. She files her 2018 federal income tax return and reconciles her 2018 APTC using IRS Form 8962 and information from Form 1095-A. Once she has filed Form 8962, she must update her 2020 Marketplace application, attest to filing and reconciling, and select a plan for 2020, before the close of OE.
  - Lucy will be enrolled in 2020 coverage with APTC, if otherwise eligible.
2. Lucy doesn't file her federal income taxes and reconcile her 2018 APTC with Form 8962 and doesn't update her 2020 Marketplace application by the close of OE.
  - Lucy keeps PY 2020 coverage, but loses APTC and must pay full price for her premium.

# Scenario 1: OE and FTR (Cont.)

- 2. Remind Lucy that she must also file a 2019 tax return and reconcile APTC she received in 2019 when she files her 2019 federal income tax returns (usually by April 2020).**

If she does not file and/or reconcile, she:

- Will receive a MOEN and FTR warning notice in October 2020; and
- Will not receive APTC for 2021 if she fails to file and reconcile, even if otherwise eligible.

# Scenario 2: APTC Ineligible in 2020 due to FTR

- Joe enrolled in Marketplace coverage with APTC in 2018 for first time.
- He failed to file a tax return and reconcile his 2018 APTC.
- Joe gets re-enrolled in 2020 coverage without APTC starting January 1 and pays his full January premium without financial help.
- Joe files and reconciles for 2019 on January 10, 2020.

**As an assister,** how do you help Joe receive APTC again?



# Scenario 2: APTC Ineligible in 2020 due to FTR (Cont.)

- 1. Explain to Joe that, now that he's filed and reconciled his 2018 APTC, he can be redetermined eligible for APTC going forward, but he should update his application ASAP.**
- 2. Help Joe update his application to attest that he has filed and reconciled past APTC.**
  - Joe will be able to get his APTC restored going forward.
  - He will not receive retroactive APTC, but he may be able to receive PTC when he files and reconciles his 2020 taxes.
  - Remind Joe to file his 2019 tax return and reconcile 2019 APTC.
  - Note: If Joe had not remained enrolled, he would need to qualify for a Special Enrollment Period (SEP) in order to re-enroll in coverage and receive APTC going forward, or wait until the next Open Enrollment Period (OEP).

# Scenario 3: Filed and Reconciled During OE, but Didn't Attest and Lost APTC (Appeals)

- Ellen enrolled in Marketplace coverage with APTC in 2018 for the first time.
- She filed a 2018 tax return in November 2019 during OE.
- When she updated her 2020 application during OE, she did not attest to filing/reconciling for 2018, and due to time needed for IRS to process returns, the Marketplace did not have updated data indicating she filed and reconciled.
- Ellen is re-enrolled in 2020 coverage without APTC.



**As an assister, how do you help Ellen?**

# Scenario 3: Filed and Reconciled During OE, but Didn't Attest and Lost APTC (Appeals) (Cont.)

- 1. Help Ellen submit an appeal to the Marketplace Appeals Group online at [HealthCare.gov/marketplace-appeals/appeal-forms](https://www.healthcare.gov/marketplace-appeals/appeal-forms).**
  - Explain to Ellen that she lost her APTC because IRS data was not updated in time to reflect her tax filing/reconciling and she needed to attest on her application during OE that she did so.
  - Encourage Ellen to request “eligibility pending appeal” so she can maintain her APTC during the appeals process.

# Resources

- [www.HealthCare.gov/taxes](http://www.HealthCare.gov/taxes)
- [Form 1095-A](#) and [Form 1095-A instructions](#)
- [Form 8962](#) and [Form 8962 instructions](#)
- [Form 8965](#) and [Form 8965 instructions](#)
- [www.IRS.gov](http://www.IRS.gov)
- [www.Marketplace.cms.gov](http://www.Marketplace.cms.gov) tax information section
- [VITA tax aide](#)
- [AARP tax aides](#)
- [Second-Lowest Cost Silver Plan \(SLCSP\) tax tool](#)
- [Lowest-Cost Bronze Plan \(LCBP\) tax tool](#)
- [Guidance on Annual Eligibility Redeterminations and Re-enrollments for Marketplace Coverage for 2019](#)