



*Affordable Care Act: Assessment of Internal
Revenue Service Preparations to Ensure
Compliance With Minimum Essential
Coverage and Shared Responsibility Payment
Requirements*

March 30, 2015

Reference Number: 2015-43-030

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Redaction Legend:

2 = Risk Circumvention of Agency Regulation or Statute

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HIGHLIGHTS

AFFORDABLE CARE ACT: ASSESSMENT OF INTERNAL REVENUE SERVICE PREPARATIONS TO ENSURE COMPLIANCE WITH MINIMUM ESSENTIAL COVERAGE AND SHARED RESPONSIBILITY PAYMENT REQUIREMENTS

Highlights

Final Report issued on March 30, 2015

Highlights of Reference Number: 2015-43-030 to the Internal Revenue Service Director of the Affordable Care Act Office.

IMPACT ON TAXPAYERS

Beginning in January 2014, the Affordable Care Act (ACA) requires each individual to have basic health insurance coverage known as Minimum Essential Coverage (MEC) or pay an additional tax referred to as a Shared Responsibility Payment (SRP). The ACA allows for exemptions from the MEC requirement. Exemptions can be obtained from a Health Care Exchange or from the IRS.

WHY TIGTA DID THE AUDIT

This audit was initiated because taxpayers are required to report compliance with the MEC requirement for themselves, their spouse, and their dependents on their Tax Year 2014 tax return, obtain an exemption, or pay an SRP.

The objective of this review was to evaluate the status of the IRS's preparations for determining whether taxpayers maintained MEC or met exemption requirements and assessing the SRP during the 2015 Filing Season.

WHAT TIGTA FOUND

The ACA requires Health Care Exchanges, employers, and insurance providers (referred to as insurers) to provide individuals information related to their health insurance coverage. However, on July 9, 2013, the Department of the Treasury delayed employer and insurer reporting of health insurance information until March 2016. Therefore, the IRS has not developed processes and procedures to verify

compliance with MEC requirements for the 2015 Filing Season.

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*****2*****. However, the IRS will assess MEC compliance on Tax Year 2014 tax returns that it identifies through its normal examination compliance activity. To assist tax examiners, the IRS developed a tool to compute the SRP. TIGTA found this tool accurately computes the SRP. In addition, TIGTA believes the tool would be helpful to taxpayers and should be made available on IRS.gov.

The ACA exempts certain individuals from the MEC requirement for all or part of a calendar year. *****2*****
*****2*****
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*****2*****. The IRS plans to use information obtained during the 2015 Filing Season to develop post-processing compliance strategies to be used in future years.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Affordable Care Act Office, add an online SRP calculation tool to IRS.gov for the 2016 Filing Season, in a continued effort to provide taxpayers with self-assistance interactive tools.

The IRS agreed with this recommendation and plans to assess the feasibility and cost to provide an online SRP estimator tool.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 30, 2015

MEMORANDUM FOR DIRECTOR, AFFORDABLE CARE ACT OFFICE

FROM:

Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Affordable Care Act: Assessment of Internal Revenue Service Preparations to Ensure Compliance With Minimum Essential Coverage and Shared Responsibility Payment Requirements (Audit # 201440327)

This report presents the results of our review to evaluate the status of the Internal Revenue Service's (IRS) preparations for determining whether taxpayers maintained Minimum Essential Coverage or met exemption requirements and assessing the Shared Responsibility Payment during the 2015 Filing Season. The audit is included in our Fiscal Year 2015 Annual Audit Plan and addresses the major management challenge of Implementing the Affordable Care Act and Other Tax Law Changes.

Management's complete response to the draft report is included as Appendix VI.

Copies of this report are also being sent to the IRS managers affected by the report recommendation. If you have any questions, please contact me or Russell P. Martin, Acting Assistant Inspector General for Audit (Returns Processing and Account Services).



Affordable Care Act: Assessment of Internal Revenue Service Preparations to Ensure Compliance With Minimum Essential Coverage and Shared Responsibility Payment Requirements

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*Affordable Care Act: Assessment of Internal Revenue Service
Preparations to Ensure Compliance With Minimum Essential
Coverage and Shared Responsibility Payment Requirements*

Abbreviations

ACA	Affordable Care Act
IRS	Internal Revenue Service
MEC	Minimum Essential Coverage
SRP	Shared Responsibility Payment



Affordable Care Act: Assessment of Internal Revenue Service Preparations to Ensure Compliance With Minimum Essential Coverage and Shared Responsibility Payment Requirements

Background

The individual shared responsibility provision of the Affordable Care Act (ACA)¹ requires each individual to have basic health insurance coverage known as Minimum Essential Coverage (MEC) beginning in January 2014. MEC is health insurance coverage that contains essential health benefits including emergency services, maternity and newborn care, and preventive and wellness services. MEC also includes doctor visits, hospitalization, mental health services, and prescription drugs. Taxpayers and any individual the taxpayer could claim as a dependent for Federal income tax purposes who did not maintain MEC must either be exempted from the requirement or pay a Shared Responsibility Payment (SRP) for each month during which MEC was not maintained.

The ACA requires all individuals to have MEC, have an exemption, or make an SRP when filing their Federal income tax return.

In general, all U.S. taxpayers are subject to the individual shared responsibility provisions. Under the provision, a taxpayer is potentially liable for him or herself, and for any individual the taxpayer could claim as a dependent for Federal income tax purposes. Thus, all children generally must have MEC for each month in the year. Otherwise, the taxpayer who can claim the child as a dependent for Federal income tax purposes will generally owe an individual SRP for the child. Taxpayers who maintained MEC for themselves and their dependents for the full calendar year can attest to having the required coverage by checking a box on Form 1040, *U.S. Individual Income Tax Return*.² Figure 1 identifies where on the Form 1040 taxpayers will attest to having MEC for the full year for themselves and their dependents or report their SRP amount.

¹ Collectively, the Patient Protection and Affordable Care Act (Affordable Care Act), (Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the U.S. Code), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029) and the Health Care and Education Reconciliation Act of 2010 (Pub. L. No. 111-152, 124 Stat. 1029. (See Affordable Care Act, *infra*)).

² Form 1040A, *U.S. Individual Income Tax Return*, and Form 1040EZ, *Income Tax Return for Single and Joint Filers With No Dependents*, also have a checkbox for taxpayers to attest to having health care coverage for all individuals on their tax return.



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Figure 1: Form 1040 Checkbox for the MEC Attestation

Other Taxes	57	Self-employment tax. Attach Schedule SE	57
	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4157 b <input type="checkbox"/> 8919	58
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59
	60a	Household employment taxes from Schedule H	60a
	b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b
	61	Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	61
	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8980 c <input type="checkbox"/> Instructions; enter code(s)	62
	63	Add lines 58 through 82. This is your total tax	63

Source: IRS.gov.

The ACA requires Health Care Exchanges (referred to as an Exchange),³ employers, and insurance providers (referred to as insurers) to provide individuals information related to their health insurance coverage. Individuals who purchase coverage through the Exchange will receive Form 1095-A, *Health Insurance Marketplace Statement*. All other individuals will receive a Form 1095-B, *Health Coverage*, or Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*. Exchanges, insurers, and employers are also required to provide the Forms 1095 to the Internal Revenue Service (IRS). Forms 1095 detail, among other things, whether individuals and their dependents had health insurance coverage for the calendar year, the level of coverage, and the months for which coverage was provided.

The SRP

Beginning with the 2015 Filing Season,⁴ if anyone in the taxpayer's tax household⁵ does not have MEC and does not qualify for a coverage exemption, the taxpayer will need to make an SRP when filing his or her Federal income tax return. The SRP applies to each individual included on the tax return who fails to have MEC for each month of the calendar year unless he or she qualifies for an exemption. The annual SRP amount is the greater of a percentage of household income or a flat dollar amount. For example, taxpayers owe one twelfth of the annual SRP for each month they or their dependent(s) do not have coverage and do not qualify for a coverage exemption. For Calendar Year (or Tax Year)⁶ 2014, the annual SRP amount is the greater of:

³ The Exchanges, established by the U.S. Department of Health and Human Services and the various States, are intended to provide a place for Americans to shop for health insurance offered by private companies in a competitive environment. The Department of Health and Human Services and the States refer to the Exchanges as Marketplaces.

⁴ The period from January through mid-April when most individual income tax returns are filed.

⁵ The taxpayer, the taxpayer's spouse (if filing a joint return), and any individual claimed as a dependent on the tax return. It also generally includes each person the taxpayer can, but does not, claim as a dependent.

⁶ A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.



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- 1 percent of the household income that is above the tax return filing threshold⁷ for the taxpayer's filing status.
- The family's flat dollar amount, which is \$95 per adult and \$47.50 per child (under age 18), limited to a family maximum of \$285.
- The amount of the SRP a taxpayer ultimately must pay is capped at the national average premium for a bronze-level qualified health plan available through the Exchange that would cover everyone in the tax household who does not have coverage and does not qualify for a coverage exemption.

Taxpayers must know their household income and applicable income tax return filing threshold to calculate the SRP amount owed. The SRP is computed using a worksheet in the Form 8965, *Health Coverage Exemptions*, instructions and is reported on the tax return as additional tax due on Line 61 of Form 1040. Taxpayers who do not timely pay their SRP will receive an IRS notice. Taxpayers can pay the outstanding amount in response to the notice or the IRS can use subsequent year tax refunds to satisfy the unpaid SRP. However, the ACA prohibits the IRS from using enforcement collection tools such as a lien or levy to collect an unpaid SRP.

This review was performed at the IRS National Headquarters in Washington, D.C., and in the Affordable Care Act Office and the Affordable Care Act Program Management Office within the IRS Chief Technology Office in New Carrollton, Maryland. We also obtained information from the Wage and Investment Division office in Atlanta, Georgia, during the period September through December 2014. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁷ The income level below which taxpayers are not required to file a tax return. For Tax Year 2014, single taxpayers under age 65 with income below \$10,150 are not required to file a tax return.



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Because of the complexity of the SRP calculation, the IRS built a tool for examiners

The IRS recognizes that the calculation of the SRP is complex and developed a tool to assist examiners in calculating the SRP when examining a tax return. Examiners enter key information from the tax return, including family size, household income, filing status, number of exemptions, age, and date of birth, for the individuals on the tax return and the months each individual on the tax return was without MEC. The tool uses the information provided and calculates the various components used in determining the SRP.

Our review of the prototype of the SRP tool found that the tool accurately calculates the SRP. We believe this tool could assist taxpayers in making the complex SRP calculation and improve the accuracy of the SRP reported on tax returns. IRS management informed us that they decided not to provide taxpayers an online SRP calculator because approximately 80 percent of individual taxpayers use tax preparation software to file their tax return. IRS management stated that they partnered with tax return software providers to ensure that their software accurately computes the SRP and developed a detailed worksheet in the Form 8965 instructions to assist taxpayers in computing the SRP.

While we understand the IRS's decision to partner with the tax return software provider community, we also believe the IRS has an obligation to provide the same level of assistance to all taxpayers, including those who file paper tax returns. Our review of the worksheet contained in the Form 8965 instructions found that the worksheet, while accurate, is complex. In fact, the IRS acknowledges the complexity of the SRP calculation in its Publication 5187, *The Health Care Law: What's New for Individuals & Families*, in which it notes that although the calculation process is outlined in the publication, using tax preparation software is an easy way to determine the amount of any SRP payment owed.

In response to the concerns we raised, IRS management indicated that they have re-evaluated their decision not to provide an online SRP tool. IRS management indicated that, because the Form 8965 instructions were not finalized until late in the planning process, the development of an online SRP calculator for the 2015 Filing Season could not be completed timely. Management indicated they would continue to evaluate the need for such a tool in the future.



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Information gathered during the 2015 Filing Season will be used to develop compliance strategies

The IRS plans to use information obtained during the 2015 Filing Season to develop post-processing compliance strategies to be used in future years. IRS management informed us that they will analyze data gathered throughout the 2015 Filing Season to identify trends that can be used to evaluate taxpayers' compliance with MEC and SRP requirements. In addition, even though filers of Forms 1095-B and 1095-C were granted transition relief until 2016, employers and insurers can voluntarily file the forms in 2015. The IRS plans to look at a sample of voluntarily filed Forms 1095-B and associated tax returns to assess the quality of information return reporting by the insurers. This analysis can help the IRS develop effective compliance strategies and plan its resource needs in future filing seasons. IRS management indicated that this is similar to processes it uses when implementing other new programs.

Furthermore, IRS management stated that processes and procedures will be developed for use in the 2016 Filing Season to match Forms 1095-A, 1095-B, and 1095-C to Tax Year 2015 tax returns as part of its post-processing information return matching program. For example, management indicated they plan to use data matching to identify tax returns that require an SRP computation. The IRS would then calculate the SRP and compare its computation to the SRP reported on the tax return. If a taxpayer's reported SRP is less than the SRP calculated by the IRS, it will send the taxpayer a notice requesting payment. We will continue to evaluate the IRS's efforts to verify taxpayers' compliance with MEC and SRP requirements.

Recommendation

Recommendation 1: The Director, Affordable Care Act Office, should add an online SRP calculation tool to IRS.gov for the 2016 Filing Season, in a continued effort to provide taxpayers with self-assistance interactive tools.

Management's Response: The IRS agreed with this recommendation. The IRS will assess the feasibility and cost to provide an online SRP estimator tool.

Processes and Procedures Have Not Been Established to Verify Exemption Claims

The ACA provides certain individuals exemption from the MEC requirement for all or part of a calendar year. MEC coverage exemptions are available for individuals for reasons such as religious, economic, and other justifications. Individuals are granted exemptions from an Exchange, the IRS, or both depending on the nature of the exemption being claimed. To claim an exemption, taxpayers who do not have MEC for themselves or any individual claimed on their tax return must include Form 8965 with their tax return. Form 8965 is used to report exemptions



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granted by an Exchange or to request an exemption from the IRS. Figure 2 lists the available exemptions from the MEC requirement as well as how the exemption is requested.

Figure 2: Exemptions From the MEC Requirement

Type of Exemption	Request From an Exchange	Request on a Tax Return
Coverage is considered unaffordable.		x
Individual went without coverage for less than three consecutive months during the year.		x
Household income is below the minimum amount required to file a tax return.		x
Certain noncitizens – individual was neither a U.S. citizen, U.S. national, nor an alien lawfully present in the United States.		x
Members of a health care sharing ministry. ⁸	x	x
Members of Federally recognized Indian Tribes.	x	x
Individuals who are incarcerated.	x	x
Members of certain religious sects.	x	
Hardship based exemption:		
Gross income is below the minimum amount required to file a tax return.		x
Two or more family members' aggregate cost of self-only, employer-sponsored coverage exceeds 8 percent of household income, as does the cost of any available employer-sponsored coverage for the entire family.		x
Purchased insurance through the Exchange during the initial enrollment period but have a coverage gap at the beginning of 2014. ⁹		x
Experiencing circumstances that prevent you from obtaining coverage under a qualified health plan.	x	
Do not have access to affordable coverage based on your projected household income.	x	

⁸ A health care sharing ministry is an organization whose members share a common set of ethical and religious beliefs and share medical expenses among themselves in accordance with these beliefs.

⁹ This exemption is only for individuals who purchased their insurance through the Exchange during the open enrollment period and experienced a gap in insurance coverage while waiting for the insurance to become effective.



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Type of Exemption	Request From an Exchange	Request on a Tax Return
Ineligible for Medicaid solely because the State does not participate in the Medicaid expansion under the Affordable Care Act.	x	
American Indian, Alaska Native, or a spouse or descendant who is eligible for services through an Indian health care provider.	x	
Have been notified that your health insurance policy will not be renewed and you consider the other plans available to be unaffordable.	x	

Source: IRS.gov.

Exemptions granted by an Exchange

The Federal Exchange processes exemptions for all States except for Connecticut. Both the Federal Exchange and the Connecticut Exchange are required to submit information related to these exemptions to the IRS monthly. Individuals who are granted an Exchange exemption will receive an exemption certificate number from the Exchange. The taxpayer must provide this exemption certificate number on Form 8965. Figure 3 identifies where the exemption number is reported on Form 8965.

Figure 3: Form 8965 Health Coverage

Part I Marketplace-Granted Coverage Exemptions for Individuals: If you and/or a member of your tax household have an exemption granted by the Marketplace, complete Part I.			
	a Name of Individual	b SSN	c Exemption Certificate Number
1			
2			
3			
4			

Source: IRS.gov.

As of January 2, 2015, the Centers for Medicare and Medicaid Services reported that the Federal Exchange granted 351,971 individuals an exemption from the MEC requirement.

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*****2*****. According to the IRS, it will gather and analyze exemption data for Tax Year 2014 to determine appropriate potential post-processing compliance treatments. For example, the IRS plans to match the exemption certificate numbers that taxpayers report on their tax returns to the exemption certificate numbers received from the Exchanges. This will help the IRS determine the degree of variance between Exchange exemption reporting and actual filed tax returns.

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*****2*****. The IRS must audit the tax return if the exemption information provided by the taxpayer does not match the Exchange exemption data. IRS management indicated they expect to have the Exchange exemption information in February 2015, which is well in advance of the third-party data compliance time frames which traditionally occur after the April 15 tax return filing deadline.

Exemptions granted by the IRS

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*****2*****
*****2*****. According to IRS management, this decision was based on available resources and the fact that math error authority cannot be used to make adjustments in this situation. IRS management indicated that the IRS will gather and analyze exemption data for Tax Year 2014 to determine appropriate potential treatments. IRS management informed us that the IRS is still in the process of determining which compliance aspects it will evaluate using data analytics and how it will use the results of its analysis to address taxpayer noncompliance. We will continue to evaluate the IRS's efforts to verify the validity of exemption claims.



Affordable Care Act: Assessment of Internal Revenue Service Preparations to Ensure Compliance With Minimum Essential Coverage and Shared Responsibility Payment Requirements

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to evaluate the status of the IRS's preparations for determining whether taxpayers maintained MEC or met exemption requirements and assessing the SRP during the 2015 Filing Season. To accomplish our objective, we:

- I. Determined if the tax forms and information returns adequately captured all required elements that will be needed to verify the accuracy of taxpayers' claims of MEC, health care coverage exemptions, and the SRP.
 - A. Obtained, reviewed, and monitored the draft versions of Forms 1040, *U.S. Individual Income Tax Return*, 1040A, *U.S. Individual Income Tax Return*, 1040EZ, *Income Tax Return for Single and Joint Filers With No Dependents*, and 8965, *Health Coverage Exemptions*, to ensure that the tax form requirements are consistent with the ACA legislation. We also determined how the data elements on the tax forms will be used at filing to verify MEC, health care coverage exemptions, and the SRP.
 - B. Identified and reviewed information that the IRS posted to social media to ensure that it was presented clearly and accurately.
 - C. Identified and reviewed the reporting requirements created by the ACA applicable to employers, health insurers, and Exchanges, and determined what information is required to be reported regarding MEC, health care coverage exemptions, and the SRP.
 - D. Determined whether the IRS will have sufficient information reported on Form 1095-A, *Health Insurance Marketplace Statement*, Form 1095-B, *Health Coverage*, and Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*, to verify the accuracy of reported health care coverage and SRP calculations. We reviewed the schemas to ensure that the IRS is requesting all data elements outlined in the Treasury Regulations.
- II. Determined if the IRS had adequate plans to validate the accuracy of MEC attestations, health care coverage exemptions, and the SRP when the tax returns are filed.
 - A. Reviewed the ACA legislation and the Treasury Regulations to identify how to calculate the SRP.
 - B. Obtained and reviewed draft versions of the Internal Revenue Manual for Document Analysis and Document Perfection as well as Modernized e-File business rules



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- applicable to how the IRS will verify MEC, health care coverage exemptions, and SRP calculations.
- C. Conducted meetings with the IRS to determine its planned processes for determining MEC, health care coverage exemptions, and the SRP. We obtained and reviewed draft documents to determine if they address identification of fraudulent MEC attestations and/or use of fraudulent exemptions.
 - D. Conducted meetings with IRS personnel and obtained draft documents of the IRS's plans for post-processing verification of MEC, health care coverage exemptions, and the SRP, and determined if they will adequately identify questionable tax returns for further actions.
 - E. Obtained and tested the accuracy of the Excel spreadsheet tool that IRS examiners will be using to recompute the SRP on returns identified for other examination issues.
 - F. Requested estimates from the IRS and researched the Department of Health and Human Services, Congressional Budget Office, and Joint Committee on Taxation websites for estimated volumes of tax returns that will report MEC, health care coverage exemptions, and the SRP.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the IRS's policies and procedures for developing tax forms, instructions, and publications to assist taxpayers with reporting MEC and the SRP, and the IRS procedures established to evaluate taxpayers' compliance with MEC and the SRP during the 2015 Filing Season. We evaluated these controls by interviewing IRS management, reviewing draft tax forms and publications, and reviewing procedures being developed for ensuring MEC and the SRP are properly reported and verified.



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Appendix II

Major Contributors to This Report

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Deann L. Baiza, Director
Sharla J. Robinson, Audit Manager
Karen C. Fulte, Lead Auditor
Laura P. Haws, Senior Auditor
Sandra L. Hinton, Senior Auditor
Kimberly Ann M. Holloway, Auditor



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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Deputy Commissioner for Services and Enforcement SE
Commissioner, Wage and Investment Division SE:W
Chief Technology Officer OS:CTO
Chief Counsel CC
Associate Chief Information Officer, Affordable Care Act (PMO) OS:CTO:ACA
Director, CARE (Customer Assistance, Relationships, and Education), Wage and Investment
Division SE:W:CAR
Director, Customer Account Services, Wage and Investment Division SE:W:CAS
Director, Submission Processing, Wage and Investment Division SE:W:CAS:SP
Director, Tax Forms and Publications, Wage and Investment Division SE:W:CAR:MP:T
National Taxpayer Advocate TA
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Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Director, Affordable Care Act Office SE:ACA:ONE



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Appendix IV

*Form 1095-A,
Health Insurance Marketplace Statement*

Form 1095-A		Health Insurance Marketplace Statement		OMB No. 1545-2232	
Department of the Treasury Internal Revenue Service		Information about Form 1095-A and its separate instructions is at www.irs.gov/form1095a .		<input type="checkbox"/> CORRECTED	
				2014	
Part I Recipient Information					
1 Marketplace identifier		2 Marketplace-assigned policy number		3 Policy issuer's name	
4 Recipient's name		5 Recipient's SSN	6 Recipient's date of birth		
7 Recipient's spouse's name		8 Recipient's spouse's SSN	9 Recipient's spouse's date of birth		
10 Policy start date		11 Policy termination date		12 Street address (including apartment no.)	
13 City or town		14 State or province		15 Country and ZIP or foreign postal code	
Part II Coverage Household					
A. Covered Individual Name		B. Covered Individual SSN	C. Covered Individual Date of Birth	D. Covered Individual Start Date	E. Covered Individual Termination Date
16					
17					
18					
19					
20					
Part III Household Information					
Month	A. Monthly Premium Amount	B. Monthly Premium Amount of Second Lowest Cost Silver Plan (SLCSP)	C. Monthly Advance Payment of Premium Tax Credit		
21 January					
22 February					
23 March					
24 April					
25 May					
26 June					
27 July					
28 August					
29 September					
30 October					
31 November					
32 December					
33 Annual Totals					
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.					
			Cat. No. 60703Q	Form 1095-A (2014)	

Source: IRS.gov.



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Appendix V

*Form 8965,
Health Coverage Exemptions*

Form 8965 Department of the Treasury Internal Revenue Service Name as shown on return	Health Coverage Exemptions Attach to Form 1040, Form 1040A, or Form 1040EZ. Information about Form 8965 and its separate instructions is at www.irs.gov/form8965 .	OMB No. 1545-0074 2014 Attachment Sequence No. 75 Your social security number														
Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.																
Part I Marketplace-Granted Coverage Exemptions for Individuals: If you and/or a member of your tax household have an exemption granted by the Marketplace, complete Part I.																
	a Name of Individual	b SSN	c Exemption Certificate Number													
1																
2																
3																
4																
5																
6																
Part II Coverage Exemptions for Your Household Claimed on Your Return:																
7a Are you claiming an exemption because your household income is below the filing threshold? <input type="checkbox"/> Yes <input type="checkbox"/> No																
b Are you claiming a hardship exemption because your gross income is below the filing threshold? <input type="checkbox"/> Yes <input type="checkbox"/> No																
Part III Coverage Exemptions for Individuals Claimed on Your Return: If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.																
	a Name of Individual	b SSN	c Exemption Type	d Full Year	e Jan	f Feb	g Mar	h Apr	i May	j June	k July	l Aug	m Sept	n Oct	o Nov	p Dec
8																
9																
10																
11																
12																
13																
For Privacy Act and Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 37787G Form 8965 (2014)																

Source: IRS.gov.



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Appendix VI

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

MEMORANDUM FOR RUSSELL P. MARTIN
ACTING, ASSISTANT INSPECTOR GENERAL FOR AUDIT

Carolyn A. Tavenner
FROM: Carolyn A. Tavenner
Director, Affordable Care Act

SUBJECT: Draft Audit Report – Assessment of Internal Revenue Service Preparations to Ensure Compliance with Minimum Essential Coverage and Shared Responsibility Payment Requirements (Audit 201440327)

Thank you for the opportunity to respond to the above-referenced report. We appreciate your acknowledgement of the Internal Revenue Service (IRS) achievements in administering the Shared Responsibility Program (SRP) provision under Section 5000A of the Internal Revenue Code. The IRS takes very seriously its role to ensure the accuracy and timely administration of Affordable Care Act (ACA) provisions.

Section 5000A was enacted as part of the Patient Protection and Affordable Care Act (PPACA) in March 2010. Section 5000A provides that beginning in 2014, individuals must have health care coverage called Minimum Essential Coverage (MEC), have a health coverage exemption, or make a Shared Responsibility Payment. The MEC generally includes coverage under a government-sponsored program, coverage from an employer, a plan that the individual buys in the individual market including a qualified health plan offered by the Health Insurance Marketplace, and certain other coverage. The IRS developed Form 8965 - Health Coverage Exemptions for use in reporting a coverage exemption granted by the Marketplace or claiming a coverage exemption on the income tax return. Taxpayers and any other member of their tax household who do not have MEC, or a coverage exemption for any month in 2014, calculate their SRP and report it on their income tax return, unless the taxpayer is not required to file a tax return.

We appreciate your recognition of the achievements and progress the IRS has made in its administration of the Section 5000A. Your review of this provision highlighted one of the two major provisions that the IRS implemented in the 2015 filing season affecting individual taxpayers. We also appreciate your acknowledgement that we piloted a tool to assist IRS employees in calculating the SRP during the course of adjusting a tax return. The IRS will assess the feasibility and cost of making the SRP calculation tool an online tool available for estimating the SRP.

We would note that, for the 2015 filing season, when there is no apparent error on a tax return, the IRS will use its normal post filing compliance processes to verify exemptions claimed. Our plans include the use of information obtained during the 2015 Filing Season to develop post-processing compliance strategies to be used in subsequent years. Specifically, we will analyze data gathered to identify trends that will be used to evaluate an individual's compliance with MEC and SRP requirements. The results of the data and trend analysis will formulate IRS' compliance treatments for subsequent tax years, while taking into account that our limited enforcement resources have to be applied across all identified areas of noncompliance.

Attached are our comments to your recommendation. If you have any questions, please contact me, or a member of your staff may contact Johnny Witt, Deputy Director, Affordable Care Act Office, 202-317-3764.

Attachment



Affordable Care Act: Assessment of Internal Revenue Service Preparations to Ensure Compliance With Minimum Essential Coverage and Shared Responsibility Payment Requirements

Attachment

RECOMMENDATION 1:

The Director, Affordable Care Act Office, should add an online SRP calculation tool to IRS.gov for Filing Season 2016, in a continued effort to provide taxpayers with self-assistance interactive tools.

CORRECTIVE ACTION:

The IRS has agreed to assess the feasibility and cost to provide for an online SRP estimator tool.

IMPLEMENTATION DATE:

Reevaluation by 9/30/2015.

RESPONSIBLE OFFICIAL(S):

Director, SE Affordable Care Act Office