

**ALTERNATIVE ACA COMPLIANCE FLOWCHART
For Coverage Exemptions**

This document is designed to tackle ACA Compliance by looking at determining SRP and PTC as completely separate. Consequently there are two separate flows: one for SRP and one for PTC. This document contains flow charts for SRP only. The separate flow chart for PTC should start in Box 58 of Chart 3 of the ACA Compliance Flowchart

The SRP flow charts in this document can be used in place of Charts 1 and 2 of the ACA Compliance Flowchart. Please read all other pages of the ACA Compliance Flowchart. Attempts have been made to use the same definitions as that document.

SRP Flow charts

The SRP flow charts are for determining exemptions and liability for a SRP. There are multiple ways of examining the various exemptions. The attached SRP Charts take a “biggest bang for the buck” approach by dealing with complete household exemptions before moving on to individual exemptions. SRP Charts 1 and 2 may be applied in either order after you have answered the question in Box 1 of SRP Chart 1. SRP Charts 3A and 3B cover the affordability exemption “A”.

Definition: In the SRP charts the term **Coverage Gap** refers to the months that have not been covered so far either by MEC or a previously examined and applied exemption(s). The determination of eligibility for an exemption reduces the coverage gap. The taxpayer is free from a SRP as soon as the coverage gap does not include any months.

Exemption “B”, the short coverage gap, should be treated as a last use exemption because it can only be used once. Therefore it should not be used until there is only a single gap of one or two months or when all other exemptions have been used. Usually when the coverage gap consists of a single 1 or 2 continuous period, one applies exemption “B” and the taxpayer has no SRP. If there are multiple 1 and 2 month gaps, “B” must be applied to the **earliest gap**.

Caution using exemption “B” in December: Do not use exemption “B” in December unless no other exemption applies. An exemption “B” in December will not affect this years return, but may affect next years return because of the look-back provision of exemption “B”. For example, if there is an exemption “B” in December of 2016, the taxpayer cannot use this exemption in 2017 to cover a two month gap of January and February since this would give 3 consecutive months covered by exemption “B”, Dec-Feb.

**SRP Chart 1: SRP and Exemptions
1040 Line 61, Form 8965 Line 7 and
Affordability Exemption "G"**

Do **All Persons** have **MEC** for **All months**? **1** Yes → Check Box on Form 1040 Line 61.
You are through with SRP & Exemptions. **2**

**All
Persons
Full
Year**

Is **AGI** Less than the filing threshold?
(4012 p A-1) **3**

No

Yes

Is **Household Income A** less than filing threshold? **4**

Yes

Check Box on Form 8965 Line 7. (Box 7a in 2015)
You are through with SRP & Exemptions. **5**

No

Is **Gross Income** less than filing threshold?
Gross Income is TP AGI plus the following:
+ Gain from sale of house excluded from Schedule D
+ Schedule C Lines 28 + 30
+ Adjustment to Income Form 1040 Line 36
+ Total of individual losses on Schedule D
And Form 8949. **6**

Yes

Check Box on Form 8965 Line 7. (Box 7b in 2015)
You are through with SRP & Exemptions. **7**

No

**Multiple
Persons
Full
Year**

Was there a **self-only employer offer** to more than one **Person**? **8**

No

Yes

Does the **Aggregate Test** Apply?
In **Any Month** was:
1) Each self-only offer less than the **Affordability Threshold**, and
2) Combined self-only offers more than the **Affordability Threshold**, and
3) No offer for **Family Coverage** less than **Affordability Threshold**
Note: It does not matter if an offer is actually taken.
Needs only to occur for one month **9**

Yes

Claim **Type G** exemption for the **Full Year** on Form 8965 Part III for **Every Person** that is eligible for **MEC** under the offer(s). **10**

Continue

Does **Any Person** still have a **Coverage Gap**? **11**

No

You are through with SRP & Exemptions. **12**

Yes

Individual Person - Full Year

Did **Person** live in a Medicaid nonexpansion state at any time during the year? **13**

No

Yes

Nonexpansion states:
AL, FL, GA, ID, KS, ME, MO, MS, NC, NE, OK, SC, SD, TN, TX, UT, VA, WI, WY
Expanded effective July 1, 2016: LA **14**

Is **Household Income B** less than 138% of FPL? **15**

Yes

Claim **Type G** exemption for the **FULL YEAR** on Form 8965 Part III **16**

No

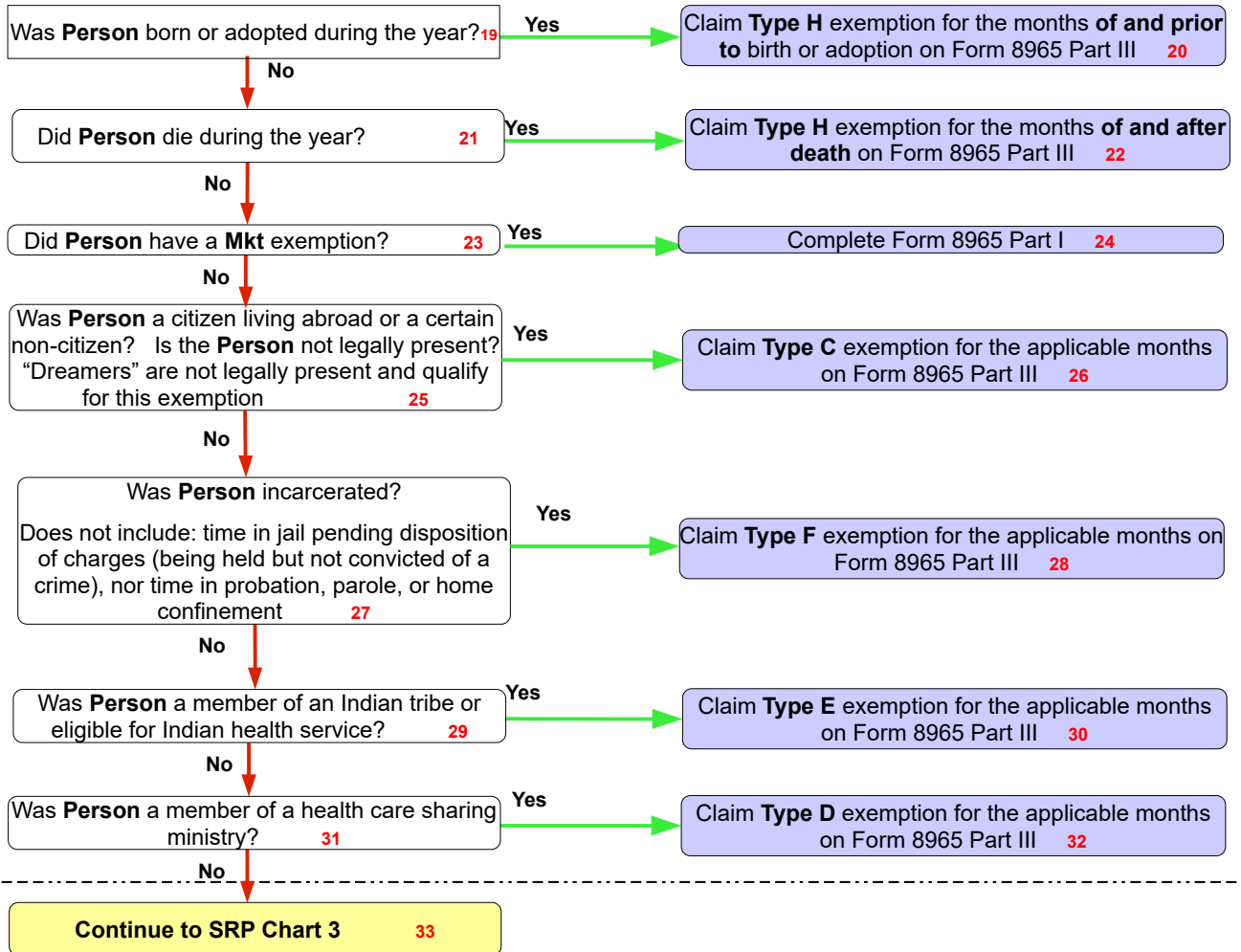
Continue to SRP Chart 2 **17**

**SRP CHART 2: SRP and Exemptions
Form 8965 Exemptions Part I and Part III B, C, D, E, F, and H**

For each **Person** who has a **Coverage Gap**, continue through each of the following exemptions for months in **Coverage Gap**. If an exemption applies eliminate those months from the coverage gap until:

- 1) There is a single one or two month gap and the **short gap** applies. In this case, claim **Type B** exemption for these months on Form 8965 Part III. Remember the December rule. This **Person** is done.
- or 2) There is **NO Coverage Gap**. This **Person** is done.
- or 3) All exemptions have been tested. In this case the months in the **Coverage Gap** need to be tested for affordability. When all persons have completed the tests in this chart go to **SRP Chart 3**. 18

Individual Person – Applicable Months

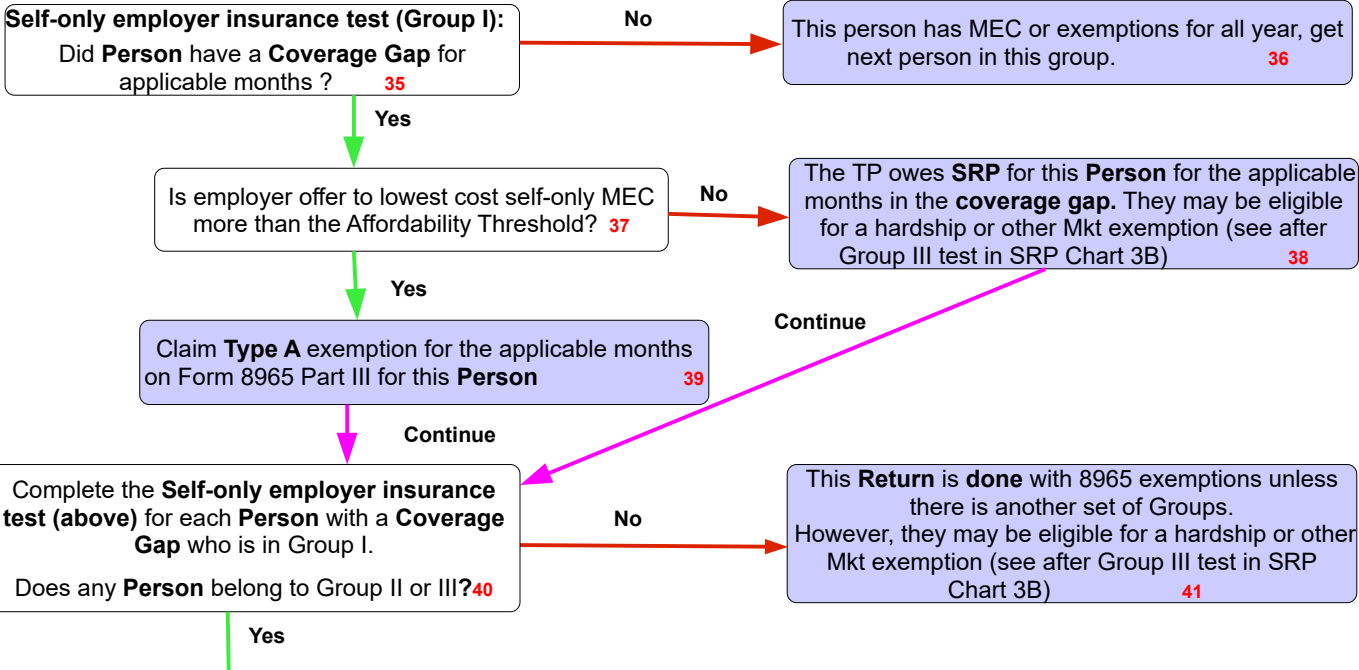


**SRP CHART 3A: SRPt and Exemptions
Form 8965 Exemption A
Employer Offer of Insurance**

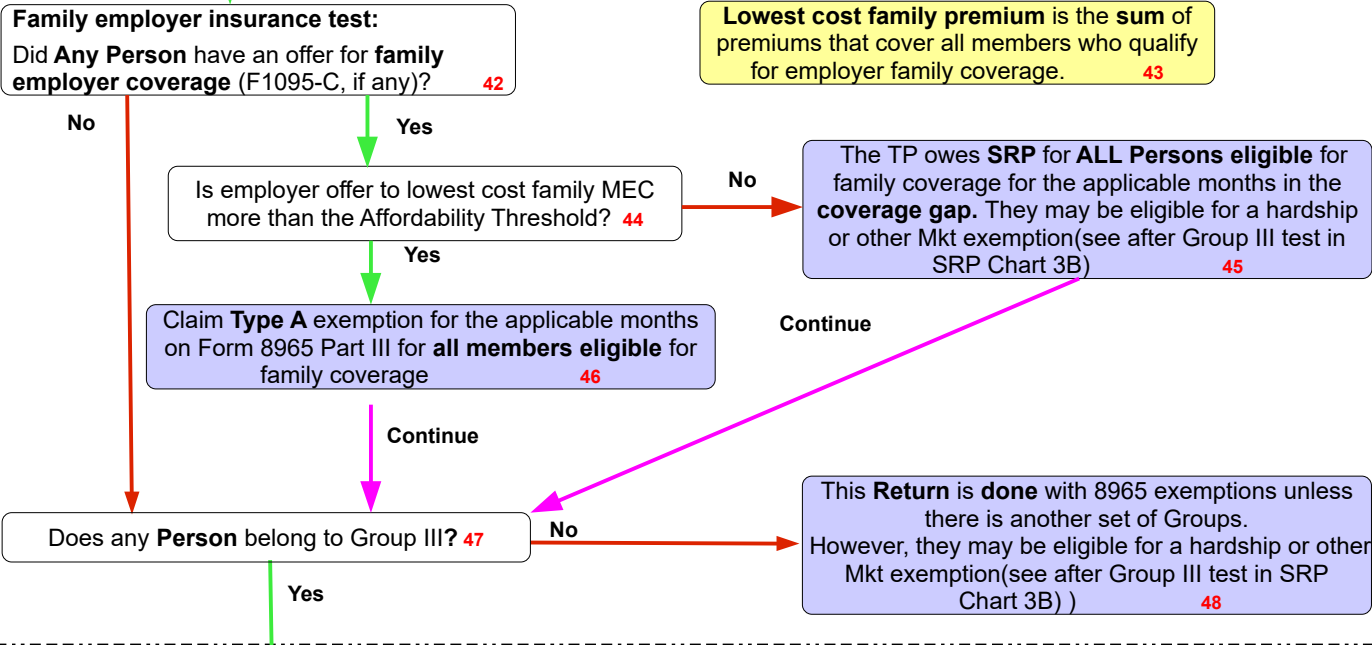
Calculate the **Affordability Threshold** then assign **Person(s)** into the following groups.
Group I: Those **Person(s)** who were offered employer self-only insurance. (F 1095-C, if any)
Group II: Those **Person(s)** not in Group 1 but were offered family insurance by the Taxpayer's or the Spouse's employer.
Group III: Those **Person(s)** who are not in Group I or Group II **and** doesn't qualify for another exemption.
Group IV: Everyone not in group I, II, or III (no employer offer and have an exemption)

If there are changes to members in a group (e.g. a person loses their job) or a change in the lowest cost self-only or family insurance premium, you will have to process the groups again. Process each group according to its affordability flow chart below for the applicable months.

GROUP I: Individual Affordability Test: Apply for each individual eligible for self-only employer coverage



GROUP II: Family Affordability Test: Apply to all members eligible for employer family coverage.



Continue to SRP Chart 3B 49

**SRP CHART 3B: SRP and Exemptions
Form 8965 Exemption A
No Employer Offer of Insurance**

Using healthcare.gov tool: <https://www.healthcare.gov/tax-tool/>

1. Calculate the LCBP (Lowest cost Bronze Plan) that covers ALL **Persons** who did **NOT** have an offer of employer coverage (This is everyone who is in Group III.).
2. Calculate the SLCSP (Second Lowest Cost Silver Plan) or Benchmark for ALL **Persons** who are eligible for PTC. This excludes anyone with government coverage or an offer of government coverage. Be sure to check children for eligibility for CHIP based on FPL.

Complete Marketplace Affordability Worksheet
LCBP goes in Line 1
SLCSP goes in Line 10

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GROUP III: Marketplace Affordability Test: Apply for each individual who was NOT eligible for self-only employer coverage and did not have another exemption.

Marketplace Affordability Test

Is the Annualized premium from the worksheet, Line 13, greater than the Affordability Threshold? **51**

Yes

This **Return** is **done** with 8965 exemptions. Claim **Type A** exemption for the applicable months on Form 8965 Part III for **all PERSONS** included in LCBP **52**

No

Hardship Exemptions

Will TP apply for hardship or other Marketplace exemption?
TP conditions for hardship

1. You were homeless
2. You were evicted or were facing eviction or foreclosure
3. You received a shut-off notice from a utility company
4. You experienced domestic violence
5. You experienced the death of a family member
6. You experienced a fire, flood, or other natural or human-caused disaster that caused substantial damage to your property
7. You filed for bankruptcy
8. You had medical expenses you couldn't pay that resulted in substantial debt
9. You experienced unexpected increases in necessary expenses due to caring for an ill, disabled, or aging family member
10. You expect to claim a child as a tax dependent who's been denied coverage for Medicaid and CHIP for 2016, and another person is required by court order to give medical support to the child. In this case you don't have to pay the penalty for the child.
11. As a result of an eligibility appeals decision, you're eligible for enrollment in a qualified health plan (QHP) through the Marketplace, lower costs on your monthly premiums, or cost-sharing reductions for a time period when you weren't enrolled in a QHP through the Marketplace in 2016
12. You were determined ineligible for Medicaid because your state didn't expand eligibility for Medicaid in 2015 under the Affordable Care Act
13. Your individual insurance plan was cancelled after June 30, 2013 and you believe other Marketplace plans are unaffordable
14. If you experienced another hardship obtaining health insurance, use this form to apply for an exemption with the Marketplace (PDF)

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Link:
<https://www.healthcare.gov/health-coverage-exemptions/hardship-exemptions/>

No

This **Return** is **done** with 8965 exemptions. The TP owes **SRP** for **ALL Person(s)** for months where there is still a **coverage gap**. **54**

Yes

Direct the TP to healthcare.gov hardship exemptions for additional help
Complete Part I of form 8965 – use "PENDING" for ECN.
NOTE: DO NOT FILE RETURN UNTIL APPLICATION HAS BEEN FILED!! **55**