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## The Individual Shared Responsibility Payment - An Overview

IRS Health Care Tax Tip 2014-04, March 20, 2014

Starting January 2014, you and your family must either have health insurance coverage throughout the year, qualify for an exemption from coverage, or make a payment when you file your 2014 federal income tax return in 2015. Many people already have qualifying health insurance coverage and do not need to do anything more than maintain that coverage in 2014.

Qualifying coverage includes coverage provided by your employer, health insurance you purchase in the Health Insurance Marketplace, most government-sponsored coverage, and coverage you purchase directly from an insurance company. However, qualifying coverage does not include coverage that may provide limited benefits, such as coverage only for vision care or dental care, workers' compensation, or coverage that only covers a specific disease or condition.

You may be exempt from the requirement to maintain qualified coverage if you:

- Have no affordable coverage options because the minimum amount you must pay for the annual premiums is more than eight percent of your household income,
- Have a gap in coverage for less than three consecutive months, or
- Qualify for an exemption for one of several other reasons, including having a hardship that prevents you from obtaining coverage, or belonging to a group explicitly exempt from the requirement.

A special hardship exemption applies to individuals who purchase their insurance through the Marketplace during the initial enrollment period for 2014 but due to the enrollment process have a coverage gap at the beginning of 2014.

For any month in 2014 that you or any of your dependents don't maintain coverage and don't qualify for an exemption, you will need to make an individual shared responsibility payment with your 2014 tax return filed in 2015.

However, if you went without coverage for less than three consecutive months during the year you may qualify for the short coverage gap exemption and will not have to make a payment for those months. If you have more than one short coverage gap during a year, the short coverage gap exemption only applies to the first.

If you (or any of your dependents) do not maintain coverage and do not qualify for an exemption, you will need to make an individual shared responsibility payment with your return. In general, the payment amount is either a percentage of your income or a flat dollar amount, whichever is greater. You will owe 1/12<sup>th</sup> of the annual payment for each month you (or your dependents) do not have coverage and are not exempt. The annual payment amount for 2014 is the greater of:

- 1 percent of your household income that is above the tax return threshold for your filing status, such as Married Filing Jointly or single, or
- Your family's flat dollar amount, which is \$95 per adult and \$47.50 per child, limited to a maximum of \$285.

The individual shared responsibility payment is capped at the cost of the national average premium for the bronze level health plan available through the [Marketplace](#) in 2014. You will make the payment when you file your 2014 federal income tax return in 2015.

For example, a single adult under age 65 with household income less than \$19,650 (but more than \$10,150) would pay the \$95 flat rate. However, a single adult under age 65 with household income greater than \$19,650 would pay an annual payment based on the 1 percent rate.

Find out more about the [individual shared responsibility provision](#), as well as other tax-related provisions of the health care law at [www.irs.gov/aca](http://www.irs.gov/aca). For more information about your coverage options, financial assistance and the Marketplace, visit [HealthCare.gov](http://HealthCare.gov).

Page Last Reviewed or Updated: 25-Mar-2014



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Get more information about the Affordable Care Act from the Department of Health & Human Services.

[Go to HealthCare.gov](http://HealthCare.gov)