

Form 8965 Health Coverage Exemption Changes

The Shared Responsibility Penalty is alive and well in 2018. The penalty will be the greater of the flat dollar penalty of \$695 per person with a maximum \$2085 or 2.5% of household income in excess of the filing requirement.

What is new for this year is the expansion of the exemptions available on the tax return. The 2018 instructions for Form 8965, Health Coverage Exemptions, contain a new option entitled General Hardship, Code G, which can be selected without provided any additional proof of the hardship. The hardship options available through the tax return contain the same 14 hardships that were available through healthcare.gov by special application last year.

In addition to those, a 15th hardship option has been added. It is: You lived in a country where there is no qualified health plan offered, there is only one issuer offering coverage, or all affordable plans provide abortion coverage contrary to your beliefs.

You are still able to apply for the hardship exemption through healthcare.gov and provide the required proof. The application will be reviewed and if granted, an exemption certificate number will be sent to the taxpayer. The only reason that this method may be preferred is to avoid a later IRS challenge of the hardship through audit.

Beginning in 2019, the Shared Responsibility Penalty is reduced to \$0. However, TCJA did not affect the Premium Assistance Credit.

This text has been shared with you courtesy of David & Mary Mellem, EAs & Ashwaubenon Tax Professionals.

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