

Lump Sum Social Security Benefits Affect Premium Tax Credit

Taxpayers try to argue they shouldn't have to repay the advanced credit if things change. Some even take it to court.

Mr. & Mrs. Monroe lived in California during 2015. They enrolled in a health insurance plan through the California health insurance marketplace. They received \$8,472 of advance payments of the Premium Tax Credit as part of their enrollment.

Their 2015 income tax return showed approximately \$34,000 of wages, \$38,000 of social security benefits (\$4,000 taxable), and a little unemployment. A little over \$5,000 of the social security benefits were for 2015 while the rest were received during 2015 as a lump sum payment of back social security benefits. Mr. & Mrs. Monroe did not file Form 8962 nor report any excess advance Premium Tax Credit (APTC).

IRS chose to audit their return. The total of their income for the year put them above the 400% of poverty level, therefore they had to repay the entire amount of APTC payments.

Mr. & Mrs. Monroe argued that only the social security benefits FOR THE YEAR 2015 were includible in their income for purposes of calculating their income for purposes of APTC. IRS argued the entire amount of the lump sum social security benefits were required to be included since they were RECEIVED during 2015.

Tax Court agreed with IRS. Since the income Mr. & Mrs. Monroe had for the year exceed the 400% of poverty level, they had to repay the entire \$8,472 of APTC.

Charles W. & Rebecca A. Monroe, TC Memo 2019-41

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