

MA Healthcare Reform
Individual Mandate Tax Penalties
1/21/2008

Overview & Frequently Asked Questions

Overview

- As part of MA Healthcare Reform and the Individual Mandate, Massachusetts requires all residents age 18+ to have health insurance by December, 31 2007 to avoid being penalized.
- The MA Department of Revenue recently drafted guidelines on the tax penalties for not having health insurance in 2008. Although the penalty for 2007 was limited to approx \$219, the penalty for 2008 could be substantially higher. The proposed new penalties are outlined below.
- As proof of coverage, Individual taxpayers must file a **Schedule HC** (“Health Care Information) with their state income tax return.
- Details from a **MA 1099-HC form** will assist tax-payers with completing the Schedule HC.
- NHP is scheduled to issue the **1099-HC** forms by the end of January, 2008. The forms are being sent to all commercial subscribers, age 18+, who were enrolled in a Business Choice or Commonwealth Choice plan on 12/31/07 and will list spouse and dependent information.
- Individuals who were enrolled in MAHealth or Commonwealth Care on 12/31/2007 do not need and will not be issued a 1099-HC. These individuals will check the appropriate box on the **Schedule HC** form when they file their taxes for 2007, indicating that they were enrolled in MAHealth or Commonwealth Care.
- Individuals who were unable to obtain coverage by 12/31/07 may **appeal** the 2007 penalty by filing a **Schedule HC-A** (“Health Care Appeal) with their state income tax return.
- Individuals who are unable to obtain coverage, may avoid the 2008 penalty by filing a **Certificate of Exemption** and through the Connector (1-877-MA-Enroll, or www.mahealthconnector.org)

Frequently Asked Questions –

(1) What is the 2007 penalty and how is it enforced?

- If an individual did not have health insurance by December, 31, 2007, they potentially may lose their personal deduction on their 2007 state income tax return, of approx. \$219.
- Penalties are enforced by the Department of Revenue (DOR) and administered through state income tax returns.

(2) How can someone Appeal the penalty?

- Individuals may appeal the 2007 penalty by filing a Schedule HC-A with their state income tax return (due April 15, 2008).
- The DOR will contact the member for additional information and will initiate the appeal with the Connector. All appeals are reviewed by the Connector within 90 days of receipt.

(3) What is a 1099HC form?

- The 1099HC form provides proof that an individual had health coverage on 12/31/2007 and includes information that should be filed with an individual's state income tax return.

(4) What's included on the 1099-HC form?

- A copy of the 1099-HC form is included on the attached. Items include name of insurance carrier (NHP), Subscriber ID, and NHP's Federal Identification (FID) number.

(5) What is the NHP Federal Identification (FID) number?

- The NHP Federal Identification (FID) number is 042932021

(6) Is NHP sending the 1099-HC forms?

- Yes - NHP is scheduled to issue the 1099HC forms by the end of January, 2008. The forms are being sent to all commercial subscribers, age 18+, who were enrolled in a Business Choice or Commonwealth Choice plan on 12/31/07 and will list spouse and dependent information.
- NHP is **not** sending 1099HC forms to anyone enrolled in MAHealth or Commonwealth Care. These individuals don't need a 1099-HC form, and just need to check the appropriate box on their state tax return.

(7) Do members need to attach the 1099-HC form on their state tax return?

- No – but they may need the information included on the 1099-HC form to file with their state income tax return. NHP also needs to provide their information to the DOR.

(8) How can a subscriber obtain a copy of the 1099-HC form?

- If a subscriber was enrolled in a Business Choice plan or Commonwealth Choice plan on 12/31/2007, and they have not received their 1099-HC form by early February, they may request a new copy by contacting the NHP Customer Care Center at 1-800-462-5449 Monday – Friday from 8:30 a.m. to 6 p.m.

(9) How can a subscriber obtain a revised copy of the 1099-HC form?

- If a subscriber needs to make a change on their 1099-HC form, and they were enrolled in a Business Choice plan or Commonwealth Choice plan on 12/31/2007, they may request a new copy of the form by contacting the NHP Customer Care Center at 1-800-462-5449 Monday – Friday from 8:30 a.m. to 6 p.m.

(10) What are the proposed new penalties for 2008?

- In 2008, the proposed penalties are based upon family size and income as a % of the Federal Poverty Limit (FPL) and how long someone goes without coverage. If someone is deemed able to afford coverage, they will be subject to penalties for each month they are uninsured during the year.
- The penalty for 2008 will be administered on the 2008 state income tax return (not due until April 15, 2009)

(11) Do penalties always apply?

- Penalties apply only to adults who are deemed able to afford health insurance.
- On an annual basis, the Connector establishes separate standards that determine whether individual, married couples and families can afford coverage.
- Those who are not deemed able to afford coverage (based upon the Connector standards) will not be penalized.
- Individuals may review the affordability schedule on the Connector web-site (www.mahealthconnector.org)

(12) Can an individual file for a Certificate of Exemption?

- Individuals may also be exempt from the penalty - if they cannot afford coverage, or if they have experienced a financial hardship or other special circumstance.
- Individuals may also avoid the 2008 penalty by filing a Certificate of Exemption, through the Connector (1-877-MA-Enroll, or www.mahealthconnector.org).

(13) What is a Financial Hardship?

- Individuals may also be exempt from the penalty if they experienced a Financial Hardship. The definition of a financial hardship is available on the Connector website (www.mahealthconnector.org).

(14) Contact for personal income tax assistance

- Taxpayers who have questions about filing the Schedule HC may contact the DOR Customer Service at (1-800-392-6089) for personal income tax assistance.

(15) What are the proposed penalties for 2008?

- In 2008, the proposed penalties are based upon family size and income as a % of the Federal Poverty Limit (FPL) and how long someone goes without coverage:
 - Individuals with incomes up to 150% of the FPL will not be penalized.
 - Individuals with incomes from 150% to 300% of the FPL will be: Half of the lowest priced Commonwealth Care premiums that the individual would have qualified for.
 - Individuals (under age 26) with incomes above 300% of the FPL will be: Half of the lowest priced Commonwealth Choice Young Adult Plan premium (without prescription drug coverage).
 - Individuals (age 27+) with incomes above 300% of the FPL will be: Half of the lowest priced Commonwealth Choice Bronze premium (without prescription drug coverage).
 - Penalty rates are based on the Connector's plan prices as of January 2008.
 - Penalties for married couples without health insurance (with or without children) will equal the sum of individual penalties for each spouse.

Proposed Penalties for 2008					
Individual Income Category	150-200 % FPL	200-250% FPL	250-300% FPL	Above 300% FPL Age 18-26	Above 300% FPL Age 27+
Penalty (by month & maximum for year)	\$17.50/mth \$210/year	\$35/mth \$420/year	\$52.50/mth \$630/year	\$56/mth \$672/year	\$76/mth \$912/year

Federal Poverty Level – Annual Income Standards are listed below

Family Size	150% FPL	200 % FPL	250 % FPL	300 % FPL
1	\$15,324	\$20,424	\$25,536	\$30,636
2	\$20,544	\$27,384	\$34,236	\$41,076
3	\$25,764	\$34,344	\$42,936	\$51,516
4	\$30,984	\$41,304	\$51,636	\$61,956
5	\$36,204	\$48,264	\$60,336	\$72,396
6	\$41,424	\$55,224	\$69,036	\$82,836
7	\$46,644	\$62,184	\$77,736	\$93,276
8	\$51,864	\$69,144	\$86,436	\$103,716
For each additional person add	+\$5,220	+\$6,960	+\$8,700	+10,440

NOTE: This schedule will be adjusted with the federal government updates the Federal Poverty Level standards in early 2008.

Also NOTE: The 2008 penalties have not yet been finalized. **Individuals may send written comments to the Department of Revenue at RulesandRegs@dor.state.ma.us by January 15, 2008.**

A public hearing is also being held to discuss the penalties on Monday, February 4, 2008, 12pm at 100 City Hall Plaza - Gardner Auditorium – Massachusetts State House. Registration is at 11:30 am.

Resources:

- A summary of the individual mandate, and tax penalties, appeal procedures and additional FAQ's are also available at the Connector website (www.MAHealthconnector.org) & the Department of Revenue (www.Mass.gov/DOR).