

Anchin Compensation and Benefits Services Group

December 4, 2015

Health Insurance: Avoiding the IRS Penalty for Insufficient Coverage

To our Clients and Friends:

Under the Affordable Care Act's Individual Mandate, most individuals must maintain "minimum essential health coverage" at all times. Insufficient insurance coverage carries two risks: a medical crisis can create an undue financial burden, and a substantial federal excise tax may apply. Fortunately, most employer-sponsored health insurance plans as well as Medicare meet the definition of minimum essential coverage. Your employer or Medicare will provide you with IRS Form 1095 in a few months, which will contain important information necessary to document your coverage when you file your 2015 personal income tax return.

Alternatively, it is possible to purchase minimum essential coverage directly through your state's "marketplace." This can be accessed through the following link:

<https://www.healthcare.gov/quick-guide/>

All insurance coverage offered on a marketplace exchange meets the definition of minimum essential coverage. If you are seeking coverage for 2016, open enrollment ends on January 31, 2016. Certain life events such as marriage or the birth of a child may qualify you to enroll at other times. Even if you purchased insurance coverage through a marketplace for 2015, you must re-enroll for 2016 if you wish to retain coverage. At that time, you can also change plans or even apply for subsidized coverage if you qualify.

Penalties for insufficient coverage are rising sharply: For 2016, the penalty for a family can be as much as the greater of \$2,085 or 2.5% of household income, subject to limitations. Why risk it? Ensuring that you and your family have sufficient health coverage reduces your financial exposure to the health care system, and eliminates the burden of an IRS penalty.

Questions regarding the Affordable Care Act's compliance and reporting requirements can be directed to your plan administrator, or contact your Anchin Relationship Partner.

ANCHIN[®]

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