



Pioneer Bank & Trust

Trust & Investments

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January 2015

Ask a trust officer: Affordable Care Act tax filings

DEAR TRUST OFFICER:

How will the Affordable Care Act (ACA) affect my tax filings this year?

—FULLY COVERED

DEAR FULLY:

The IRS has been charged with monitoring compliance with the ACA, which will be done as taxpayers file their income taxes for 2014. The majority of taxpayers simply will check a box to confirm that they did have health insurance for the full year.

However, an estimated 6.7 million people received subsidies for their health insurance when they bought the insurance on an exchange. Those subsidies actually were advance tax credits, and they were based upon 2012 income reports. A reconciliation will be required. Those who had the good fortune of a higher income in 2014 than in 2012 will have their subsidy reduced, which will mean a smaller refund check. Those whose income declined may be eligible for a larger subsidy and a bigger check.

Everyone who purchased health insurance through an exchange will receive Form 1095-A in the mail from the exchange. The Form will show who was covered in 2014 and any premium tax credits that were applied. Those who received premium tax credits will need to file Form 8962 with their tax returns for the reconciliation.

Anyone who went without health insurance for three consecutive months in 2014 may owe a penalty, which the U.S. Supreme Court has characterized as a “tax.” Exemptions from the penalty are available, but paperwork will be required. Those who are denied an exemption may appeal that decision.

Tax filing this year will be a learning experience for everyone.

(January 2015)