Steven M. Vogt, CPA, EA

Not-Being-Insured Penalty Eliminated

Article Highlights:

- Shared-Responsibility Payment
- Originated in 2014
- Fully Effective in 2016
- How It Is Calculated
- Eliminated in 2019

Note: This one of a series of articles that explain how the various tax changes in the GOP's Tax Cuts & Jobs Act (referred to as "the Act" in this article), which passed in late December of 2017, could affect you and your family—both in 2018 and in future years. This series offers strategies that you can employ to reduce your tax liability under the new law.

Beginning in 2014, the Affordable Care Act, also known as Obamacare, imposed what a "share-responsibility payment" on taxpayers who did not sign up for minimum essential health coverage. This payment is essentially a penalty for not being insured.

The penalty was phased in during 2014 and 2015, and it became fully effective in 2016. The penalty also began to be inflation adjusted after 2017.

The penalty for 2018 is the greater of the sum of the family's flat dollar amounts or 2.5% of the amount by which the household's income exceeds the income-tax filing threshold.

For 2018, the flat dollar amounts are $700 per year ($58.33 per month) for each adult and $350 per year ($29.17 per month) for each child; the maximum family penalty using this method is $2,100 per year ($175 per month).

As an example, say that a family of four (2 adults and 2 children) has a household income that exceeds the income-tax filing threshold by $100,000. This family would have a maximum penalty equal to the greater of the flat dollar amount ($700 + $700 + $350 + $350 = $2100) or 2.5% of the income amount (2.5% × $100,000 = $2,500). Thus, the maximum penalty would be $2,500. However, the penalties are applied separately in each month, and they do not apply in a given month if certain exceptions are met.

Because of the Act, in 2019, the shared responsibility payment will no longer exist, thus allowing taxpayers the discretion of choosing to not have any coverage without the fear of being subject to a substantial penalty. However, the penalty still applies for 2018.

This does not impact the health care subsidy for low-income families, which is known as the premium tax credit and which is available for policies that are acquired through a government insurance marketplace. It also does not affect the penalties assessed on employers that do not offer affordable insurance to employees and that have 50 or more full-time-equivalent employees.

For questions or additional information, please call this office.

Chandler Office • 1807 E. Queen Creek Road, Suite 5 • Chandler , Arizona • 85286 • (480) 732-9898