



The Affordable Care Act and Taxes: Frequently Asked Questions on How the ACA Affects Taxes for Farmworkers

This April, everyone who files taxes will need to provide information about whether or not they have health insurance coverage.

- ⇒ Those with health insurance may need to provide additional information, especially if they purchased health insurance in the health insurance marketplace.
- ⇒ Those who do not have health insurance may either obtain an exemption or will have to pay a tax penalty.

The following guide provides basic information about what farmworker families can expect when they file taxes this year.

Due to the complexity of tax law, we urge you to contact a licensed tax expert in your area for more in-depth information. Links for more information can be found at the end of the guide.

Who is obligated to have health insurance under the Affordable Care Act?

All U.S. citizens and lawfully present individuals, with limited exceptions, are required to have health insurance under the ACA's individual mandate. They are also eligible to buy health insurance in the health insurance marketplaces ("marketplace") and may qualify for tax credits to lower monthly premiums and other costs.

Lawfully present includes but is not limited to:

- Lawful permanent residents (green card holders)
- Survivors of trafficking (T-visa)
- Survivors of domestic violence (U-visa)
- Nonimmigrant visa holders (H-2A and H-2B visas)
- Refugee or asylees
- Individuals granted Temporary Protected Status (TPS)

More information about farmworkers' rights and responsibilities under the Affordable Care Act can be found in Farmworker Justice's fact sheet – "The Affordable Care Act

and You: A Guide to the Health Insurance Requirement," available in Spanish and English on Farmworker Justice's [website](#).

How will farmworkers show that they have health insurance?

If enrolled in Medicare, Medicaid, or health insurance through your employer:

Farmworkers and/or their family members who received health insurance through their employer, Medicare, or Medicaid will not have to fill out additional forms when they file their taxes. They will simply have to check a box on their 1040 tax form to confirm that they had health insurance coverage during the entire year of 2014.

If enrolled in health insurance in the marketplace:

Individuals who enrolled in health insurance in the marketplace for themselves and/or their family members will have to fill out an additional form (Form 8962 – *Premium Tax Credit*) with information about their tax credit to ensure that they received the correct amount according to their 2014 income.

What forms do farmworkers need to file their tax return?

Farmworkers who bought health insurance through the marketplace and received tax credits to lower the cost of health insurance should have received a *Health Insurance Marketplace Statement* (Form 1095-A) from the marketplace. Workers will use the information provided in this form to fill out Form 8962 – *Premium Tax Credit* when they file their income tax returns. The information provided in the form includes the names of the members of the household who received health insurance in the marketplace, the amount of the tax credit received, and the amount of the premium paid by the consumer.

The marketplaces mailed Forms 1095-A in early February. Individuals who did not yet receive this form should contact the marketplace to obtain a copy. Some farmworkers may receive multiple Forms 1095-A if they or someone in their family switched plans last year or if they had more than one health insurance policy covering their family.

What happens if a farmworker did not have health coverage throughout the year?

In some circumstances, a farmworker may be exempt from the law's requirement to have health insurance and therefore will not have to pay a tax penalty. Individuals who claimed an exemption from purchasing health insurance through the marketplace should have received an exemption certificate number. Workers will claim their exemptions by filling out Form 8965 – *Health Coverage Exemptions*.

There are several exemptions that farmworkers may qualify for such as:

- **Below the tax filing threshold** – not making enough money for the year to be required to file taxes;
- **Financial hardship** – the tax filer's payments for health insurance is more than 8% of his/her household income;

- **Short coverage gap** – being without health insurance for less than 3 continuous months; and
- **Exempt noncitizen.**

Exempt noncitizens include:

- Those who are not lawfully present;
- Individuals granted deferred action through the Deferred Action for Childhood Arrivals ("DACA") program; and
- Individuals who file as non-resident aliens using the 1040-NR form, among others.

The IRS has a strict policy of not disclosing a tax filer's immigration status to other government authorities.

This is not a complete list of all the exemptions so farmworkers should be encouraged to talk to a navigator or certified application assister if they have any questions or need help applying for an exemption. Alternatively, they can call 800-318-2596 or visit www.healthcare.gov (English)/www.cuidadodesalud.gov (Spanish) for more information. The IRS has more information about exemptions on their website.

What if the farmworker and/or his family members do not qualify for an exemption?

Those who do not qualify for an exemption will have to pay a tax penalty for any members in their household who are without coverage.

In 2014, they will have to pay the higher of:

- \$95 per person who went without coverage. Children under 18 years old have a penalty of \$47.50 per child. This penalty is capped at \$285 per family.
- 1% of annual household income above the tax-filing threshold.

This penalty will increase significantly next year to \$325 per person or 2% of household income. The IRS will reduce the amount of any tax refunds to individuals who are assessed a tax penalty. The IRS will not garnish wages or take similar enforcement actions to collect the tax penalty.

Do all farmworkers who received a tax credit in the marketplace have to file taxes?

Yes. Anyone who received tax credits to help lower the cost of health insurance through the marketplace has to file a federal income tax return. All tax credits are reconciled through the IRS using the individual's actual 2014 income. Even those individuals who earn below the tax-filing threshold must file a federal income tax return to verify they received the correct tax credit amount in accordance with their household income.

What happens if a farmworker makes less/more than (s)he claimed in the health insurance application?

Any difference between a worker's income on their federal income tax return and their health insurance application will have to be reconciled with the IRS. Those with a higher income on their federal income tax form will likely owe the federal government the difference between the tax credit they actually received and the amount they should have received. Similarly, those who report a lower income on their federal income tax form will receive a refund for the tax credit they should have received versus what they actually received.

How will the ACA affect H-2A workers?

The ACA includes most H-2A workers among those "lawfully present" individuals who are required to have comprehensive health insurance, either through their employer or the marketplace, during their time in the U.S.

Workers' compensation insurance, a requirement for H-2A employers, does not meet the standards for minimum essential coverage under the ACA.

H-2A workers who arrive in the U.S. outside of the open enrollment period are able to apply for and enroll in health insurance during a 60-day Special Enrollment Period (SEP). The 60-day SEP begins the day they enter the U.S., triggered by their newly gained lawful immigration status.

Many H-2A workers who obtain health insurance through the marketplace are eligible for tax credits that may significantly decrease the cost of coverage. Just like other workers who receive tax credits, H-2As will have to file a federal tax return to verify actual income earned and reconcile tax credit amounts.

Many H-2A workers will arrive in the U.S. after federal income taxes for 2014 are due (after April 15, 2015). The IRS will automatically provide a 2-month tax extension to those H-2A workers who qualify as a "resident alien" for tax purposes. Since the rules on this issue are very complicated, we recommend seeking the advice of a tax expert if you have any questions.

More information about H-2A workers and the ACA can be found in [FJ's FAQ on H-2A workers and the ACA](#). Also, the North Carolina Justice Center developed a fact sheet on taxes and the ACA specifically for H-2A workers. The fact sheet can be found [here](#).

Where can we get more information?

- For information about accessing free assistance from a licensed tax expert in your area, you can visit the IRS' Volunteer Income Tax Assistance program at IRS.gov/VITA.

- In order to obtain free access to online tax software programs, you can visit IRS.gov/freefile.
- Farmworker legal services organizations may have a tax attorney on staff or may be able to connect clients to tax experts in their area.
- For more information on the Affordable Care Act and how it affects your taxes, you can visit:
 - The IRS website at <http://www.irs.gov/Affordable-Care-Act> (English)/<http://www.irs.gov/Spanish/Disposiciones-Tributarias-de-la-Ley-de-Cuidado-de-Salud-a-Bajo-Precio> (Spanish); or
 - The marketplace website at <https://www.healthcare.gov/taxes/>
- For more information about the exemptions, you can visit the IRS website: <http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Exemptions>; or the federal marketplace website: www.healthcare.gov (English)/<http://www.cuidadodesalud.gov> (Spanish)

You can also contact Farmworker Justice (aguild@farmworkerjustice.org) for more information or with any questions.

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