

Health Coverage Status No Longer Required to be Reported on Individual Tax Returns

Cross References

- www.irs.gov

The IRS has announced that electronic and paper returns will continue to be accepted for processing in instances where a taxpayer does not indicate their health coverage status on their tax return.

Under IRC section 5000A, non-exempt U.S. citizens and legal residents are required to maintain minimum essential health insurance coverage. Failure to do so without a valid exemption may result in a penalty equal to the greater of \$695 or 2.5% of income that exceeds the taxpayers filing threshold amount.

The IRS had announced earlier in the year that it would reject tax returns during processing in instances where the taxpayer did not provide information related to health coverage. However, on January 20, 2017, the President issued an executive order directing federal agencies to begin implementing plans for the full repeal of the Affordable Care Act (ACA), the public law which added IRC section 5000A to the code. The executive order directs federal agencies (which include the IRS) to exercise all authority and discretion available to them to waive, defer, grant exemptions from, or delay the implementation of any provision or requirement of the ACA that would impose a fiscal burden on any state or a cost, fee, tax, penalty, or regulatory burden on individuals, families, healthcare providers, health insurers, patients, recipients of health care services, purchasers of health insurance, or makers of medical devices, products, or medications.

As a result of this executive order, the IRS has now announced that it will not reject an electronic or paper return in which the taxpayer does not provide information related to health coverage.

Author's Comment

While the IRS is not requiring the information to be provided on the return, the IRS said that legislative provisions of the ACA law are still in force until changed by Congress and that taxpayers remain required to follow the law and pay what they may owe. If taxpayers are still required by law to pay whatever tax they owe, this puts the tax preparer community in an uncomfortable predicament. Some software companies have announced that they are removing the e-file reject procedures where health coverage status information is left out. While this may allow tax preparers to leave out the information, there is confusion over the ethical responsibilities of licensed preparers who know a client failed to maintain minimum essential coverage and thus is required by law to pay the penalty. The executive order applies to federal agencies, not individual taxpayers or the tax professional community.