

## Taxpayer Says Repayment of APTC is Unfair

### Cross References

- *McGuire*, 149 T.C. No. 9, August 28, 2017

The Premium Tax Credit (PTC) is available to households with incomes between 100% and 400% of the federal poverty line (FPL). The PTC is designed to help these households with the cost of purchasing health insurance. Eligibility for the PTC is contingent on enrollment in a qualified health plan through an Exchange. Taxpayers may claim the PTC as a refundable credit on the tax return, or they can receive the benefit as an Advance Premium Tax Credit (APTC), which is paid directly to the insurance company. The APTC in turn reduces the monthly premiums paid by the taxpayer. To receive the APTC, the taxpayer must tell the Exchange what his or her estimated income will be for that year. Then when the tax return is filed, the taxpayer must reconcile the credit between the amount actually received in advance with the amount actually allowed. If the taxpayer's income is higher than estimated resulting in too much APTC, the taxpayer must repay the difference as an additional tax on the tax return. If the taxpayer's actual income is less than estimated resulting in too little APTC, the taxpayer can receive the difference as a refundable credit on the tax return.

The taxpayers in this case received an APTC based upon the husband's estimated income. During the year, the wife began working which increased their household income above 400% of FPL, resulting in not being entitled to any of the PTC.

The IRS said that if the taxpayers are liable to repay the APTC, then they would be no worse off financially than if they never received the APTC.

The taxpayers argued that this is simply untrue. It was the State Exchange's responsibility to ensure clients only received the APTC for which they qualified. The wife told the court:

"We would never have committed to paying for medical coverage in excess of \$14,000 per year. We cannot afford it and would have continued to shop in the private sector to purchase the minimal, least expensive coverage or gone without coverage completely and suffered the penalties... If we are deemed responsible for paying back this deficiency, it would be devastating and completely unjust...The whole purpose of the Affordable Care Act was to provide citizens with just that, affordable healthcare. This has been an absolute nightmare and we hope [the Tax Court] will rule fairly and justly today."

The Tax Court said they are not a court of equity, and cannot ignore the law to achieve an equitable end. The statute is clear. The excess APTC is treated as an increase in tax, and the taxpayers are liable to repay the \$7,092 deficiency.