

# Hardship Exemptions Can Now Be Obtained by Filing a Federal Tax Return

## Cross References

- Centers for Medicare & Medicaid Services (CMS) letter dated September 12, 2018

The Affordable Care Act (ACA) allows taxpayers to claim a hardship exemption from obtaining coverage under a qualified health plan. These hardship exemptions allow taxpayers without minimum essential coverage to avoid the penalty tax for not having health insurance. Although the Tax Cuts and Jobs Act (TCJA) repealed the penalty tax beginning with the 2019 tax year, the penalty still applies for taxpayers without minimum essential coverage in 2018, unless the taxpayer meets one of these hardship exemptions.

Certain categories of hardship exemptions already may be claimed on a federal income tax return without obtaining an exemption certificate number (ECN) from the Federally-Facilitated Exchange (FFE). These categories of hardship exemptions include:

- Individuals with income below the tax filing threshold,
- Family members whose combined cost of self-only coverage is considered unaffordable,
- Persons who are eligible for services through an Indian health care provider, and
- Persons ineligible for Medicaid based on a state's decision not to expand.

To provide additional flexibility for those in need of a hardship exemption for 2018, CMS has announced that taxpayers may claim all hardship exemptions either by obtaining an ECN through the FFE using the existing application process, or on a federal income tax return without presenting the documentary evidence or written explanation generally required for hardship exemptions. Taxpayers should keep with their other tax records any documentation that demonstrates qualification for the hardship exemption. Hardship exemptions that now can be claimed on the federal tax return without first obtaining an ECN include the following.

- The individual was homeless.
- The individual was facing eviction or foreclosure.
- The individual received a shut-off notice from a utility company.
- The individual experienced domestic violence.
- The individual experienced the death of a family member.
- The individual experienced a fire, flood, or other natural or human-caused disaster that caused substantial damage to the individual's property.
- The individual filed for bankruptcy.
- The individual had medical expenses that he or she could not pay that resulted in substantial debt.
- The individual experienced unexpected increases in necessary expenses due to caring for an ill, disabled, or aging family member.

- The individual claimed a child as a tax dependent who's been denied coverage for Medicaid and CHIP, and another person is required by court order to give medical support to the child. In this case the penalty does not apply to the child.
- The individual's grandfathered individual insurance plan was canceled because it did not meet the requirements of ACA and the individual believes other Marketplace plans are unaffordable.
- The individual had another type of hardship in obtaining health insurance that the individual believes qualifies for a hardship exemption.

This change in claiming all hardship exemptions on a federal tax return only applies for 2018. For all eligible years, taxpayers can still apply for a hardship exemption through the FFE.