

Health Care Reform Update

CMS Issues Guidance on New Individual Mandate Hardship Exemption

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The Affordable Care Act's "[individual mandate](#)" provision requires every individual to have minimum essential health coverage for each month, qualify for an exemption, or make a penalty payment when filing his or her federal income tax return. Recently, the Centers for Medicare and Medicaid Services (CMS) released [guidance](#) allowing certain individuals eligible for the [Health Coverage Tax Credit](#) (HCTC) to qualify for a new hardship exemption.

Background

The HCTC is a tax credit that pays **72.5%** of qualified health insurance premiums for eligible individuals and their families. The HCTC expired at the end of 2013 but was reinstated in 2015, retroactive to 2014. Prior to the HCTC's expiration, advance HCTC payments assisted individuals with their premium payments. These advance payments were included in the reinstated HCTC and the same process to provide them that was operating previously was expected to be in operation by July 2016. However, the IRS has announced that the previous advance payments process **will not be in place by July 2016** as expected. As a result, some eligible individuals who expected this assistance beginning in July 2016 may be unable to make the premium payments and may cancel health insurance coverage in 2016.

New Hardship Exemption

CMS has determined that all individuals and their qualifying family members who are **not** enrolled in HCTC-qualifying health insurance coverage for one or more months between July and December 2016, **but would have been eligible for the HCTC if enrolled**, will be entitled to a hardship exemption from the individual mandate for the months during that period that they were HCTC-eligible. The Internal Revenue Service and the U.S. Department of Treasury intend to publish guidance allowing individuals who are eligible for this exemption to claim it on their tax returns.

[Click here](#) to read the CMS guidance in its entirety.

More information on this subject or any other Benefits, HR, or Reform related matter can be found in HR Library.

If you have any questions, please feel free to reach out to: **Nicholas Tafaro**
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