



Obamacare Gap Between Tax Credits, Reported Income Could Pinch The Poor

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Millions of American workers with low or varying month-to-month income could be subject to government fines and huge up-front costs due to a gap between health care subsidies and reported income.

Affordable Care Act subsidies and tax credits provided by the government to offset healthcare costs could actually cause many low or fluctuating income workers to pay more as the amount received varies based upon the amount of money being made. Part-time and those with irregular work schedules could find themselves being billed by the IRS or paying for expensive health coverage up-front.

According to CBS Money Watch, federal tax credits under Obamacare must be available in advance payments to insurance companies, as opposed to most tax credits that are claimed when a person files their yearly income.

If these tax credits are not available in advance, low-income and fluctuating income workers would be required to pay the full cost of healthcare up-front, and wait to be reimbursed at the end of the year.

The Kaiser Family Foundation estimates that about 17 million people who are not uninsured or who buy insurance on their own will be eligible for premium tax credits in 2014.

The Congressional Budget Office estimates that around 20 million people covered in marketplaces will receive premium tax credits to assist them with their premium costs by 2018. Under Obamacare, people with incomes between 100 percent and 400 percent of the federal poverty level may qualify for such premium tax credits to purchase from the state marketplaces.

“In order to receive a subsidy, people have to agree to file their taxes the following year,” Jennifer Tolbert, director of state health reform at the Kaiser Family Foundation, told CBS Money Watch.

“Based on the person’s annual income, there is a final determination that is made for what level of subsidy they were eligible for during the course of the year. If that amount differs from what they receive, they will either get an additional credit or they will have to pay more and they will owe more money.”

Tolbert went on to say that workers with income gaps “will require a lot of education for people to understand this whole process.”

“This will either cause hardship for low-income households caught in that position, encourage them not to earn that extra income, or encourage them not to report that income to the IRS,” Michael Cannon, director of health policy studies at the Cato Institute told Money Watch.

“The first two possibilities would ‘limit the upward mobility of low-income households’ and the third option is illegal.”