

## Facts About Premium Tax Credit Eligibility

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### Introduction

You may qualify for the Premium Tax Credit starting in 2014 if you (or a family member) purchase health insurance through a state or federal marketplace exchange. If you are eligible for the Premium Tax Credit, you can choose to take it in advance, which will lower your current out-of-pocket premium amount, or you can wait until you file your tax return. The Premium Tax Credit subsidizes a portion of the premiums you pay for health insurance purchased through a marketplace exchange. Go to [www.irs.gov/uac/The-Premium-Tax-Credit](http://www.irs.gov/uac/The-Premium-Tax-Credit) for more information.

### If you purchase insurance through a marketplace exchange and want to qualify for the Premium Tax Credit, you should know:

- 1. Premiums subsidized by the Premium Tax Credit may not be reimbursed from your VEBA account.** In other words, you cannot use your tax-free VEBA funds to reimburse premiums that are subsidized by the Premium Tax Credit. IRS rules do not permit you to receive two tax advantages on the same expense.
- 2. For any month during which you are claims-eligible and retain a positive account balance in your VEBA account, you may not qualify for the Premium Tax Credit for that month unless you take certain action.** If you are claims-eligible and retain a positive VEBA account balance, or receive additional contributions to any VEBA account, then it may make sense for you to use up, limit, or forfeit your VEBA account, as described in more detail below, before taking the Premium Tax Credit in advance.

But first, keep in mind that, depending on your circumstances, you may not need to take any action at all. For example, if any of the following factors are true, then you are not eligible for the Premium Tax Credit and do not need to use up, limit, or forfeit your VEBA account:

- You are eligible for coverage in an employer-sponsored group health plan that meets the affordability and minimum value requirements under federal health care reform law. (If you are not sure whether this applies to you, check with your employer.);
- You are eligible for coverage under a governmental plan such as Medicaid, Medicare, CHIP, or TRICARE;
- Your total family income (including income from investments, retirement benefits, and social security) exceeds the maximum amount for eligibility for the Premium Tax Credit (400% of the federal poverty level);
- You are married but do not file a joint return; or
- You are claimed as a dependent on someone else's tax return.

### What can I do if my VEBA account is the only thing keeping me from becoming eligible for the Premium Tax Credit?

If you are claims-eligible and your VEBA coverage is the only reason you cannot qualify for the Premium Tax Credit, you may consider:

- 1. Using up your VEBA account before taking the Premium Tax Credit.** You do not have to take the Premium Tax Credit right away. You could first use up your VEBA account to reimburse your non-subsidized premiums (and any other qualified healthcare expenses). Then, you could begin taking the Premium Tax Credit in advance or wait and claim it on your tax return, but only for premiums you paid after using up your VEBA account. Keep in mind that, that if you receive any additional VEBA contributions after using up your VEBA account, you will lose eligibility for the Premium Tax Credit again for any months during which you retain a positive balance in your VEBA account.
- 2. Electing Pre-Medicare Limited-Scope Coverage.** If you make this election, your VEBA account will reimburse only limited-scope dental, vision, and long-term care expenses and premiums (subject to IRS limitations) until you become Medicare-eligible either by age or permanent disability. VEBA Pre-Medicare Limited-Scope qualifies as an “excepted benefits plan” and is not considered “minimum essential coverage” under federal health care reform law. **This election will remain in force with respect to any expenses you incur after the date you make the election and until you turn age 65 (or earlier upon death or Medicare eligibility due to permanent disability), at which time you may convert your VEBA account back to full coverage for all types of qualified medical expenses and premiums.**

The **Pre-Medicare Limited-Scope Coverage Election Form** is available online at [veba.org](http://veba.org) under **Participant Forms** or by request from the VEBA Plan’s third-party administration service provider, Meritain Health, at [myVEBAPlan@meritain.com](mailto:myVEBAPlan@meritain.com) or 1-888-828-4953.

- 3. Electing to Forfeit Future Reimbursements.** In lieu of electing Pre-Medicare Limited-Scope Coverage, you have the right under the VEBA Plan and under federal health care reform law to permanently forfeit or give up all future reimbursements from any amounts currently held in your VEBA account or that may be contributed into your account prior to or during any period for which you receive the Premium Tax Credit. **This election is permanent and means that you are giving up your account and forfeiting future reimbursements from the VEBA Plan.**

The **Waiver of Future Reimbursements Election Form** is available online at [veba.org](http://veba.org) under **Participant Forms** or by request from VEBA’s third-party administration service provider, Meritain Health, at [myVEBAPlan@meritain.com](mailto:myVEBAPlan@meritain.com) or 1-888-828-4953.

## Consider Your Options Carefully

You should consider your options carefully and seek advice from a tax professional. The best decision may vary depending on your unique circumstances, including the amount of your VEBA account balance compared to the amount of your Premium Tax Credit.

For example, if you are eligible for a large Premium Tax Credit and have a small VEBA account balance, you may decide to quickly use up or forfeit your VEBA account balance in order to take advantage of the Premium Tax Credit. But, if you are only eligible for a small Premium Tax Credit and have a larger VEBA account balance (or expect to receive future VEBA Plan contributions), you may decide to either (1) elect Pre-Medicare Limited-Scope Coverage and take the Premium Tax Credit right away or (2) delay taking the Premium Tax Credit and

continue to use your VEBA account for all of your out-of-pocket expenses and unsubsidized premiums until it runs out.

**Keep in mind that if you take advance Premium Tax Credit payments without first using up, limiting, or forfeiting your VEBA account as described above, you will likely be ineligible for the Premium Tax Credit and may be required to pay it back when you file your tax return for the year.**

### **Where Can I Get More Information?**

This handout is intended to provide you with general information about the Premium Tax Credit and the options available to you under the VEBA Plan. **More information can be found online at [www.irs.gov/uac/The-Premium-Tax-Credit](http://www.irs.gov/uac/The-Premium-Tax-Credit).**

If you have questions, you should contact the VEBA Plan's plan consultant, VEBA Service Group, a Division of Gallagher Benefit Services, Inc., at 1-800-888-8322. A client consultant or service representative is available to assist you. The VEBA Plan and its agents, including VEBA Service Group, do not give tax advice.