

H&R Block's Final ACA Stats: Refunds Impacted for Most Who Received Advance Tax Credit

April 27, 2015 9:00 AM ET

Numbers Show Increase From Early Season Results

KANSAS CITY, MO -- (Marketwired) -- 04/27/15 -- Almost two-thirds of tax filers who received insurance via the state or federal insurance Marketplaces had to pay back an average of \$729 of the Advance Premium Tax Credit (APTC), cutting their potential refund by almost one-third, according to analysis of filing data by H&R Block (NYSE: HRB), the world's largest consumer tax preparation company. Conversely, one in four was due additional premium tax credit and therefore had an increase of an average of \$425 in their refund.

The end-of-season results showed an increase compared to the [results the company found in mid-February](#). At that time, 52 percent of those receiving a tax credit had to pay back an average of \$530, reducing the average refund by about 17 percent.

With current Marketplace enrollment figures at 11-plus million there is potential for more taxpayers to have to repay a large portion of the APTC during next year's tax filing season, according to Mark Ciaramitaro, vice president of H&R Block health care and tax services.

"There was quite a bit of new ACA-related complexity for taxpayers to deal with this tax season," Ciaramitaro said. "But our figures highlight the importance of estimating income as accurately as possible when applying for premium tax credits and notifying the Marketplace with any life changes that impact annual household income or size."

Average refunds reduced by 33 percent

The average refund for those with an APTC who filed was \$2,195. The average premium tax credit reconciliation repayment amount was \$729, which equated to a 33-percent reduction from their average refund. A slightly smaller percentage (25 percent) overestimated their income and as a result had money refunded to them -- \$425 on average, increasing the average refund by about 18 percent.

Other ACA-related findings include:

- 13 percent of those with an APTC had no repayment or additional refund because they likely chose a bronze level coverage plan. That allowed them to mitigate the risk of income estimation issues because the premiums were lower.
- This is a similar rate to what the company saw from filers just six weeks into the tax season.
- These taxpayers also received the lowest average premium tax credit, \$890 for the year.
- The average shared responsibility payment due to lack of minimum essential coverage was approximately \$178 -- six dollars more than it was earlier in the season. The \$178 was about 7 percent of the potential refund.

Tax return provides top choices for exemptions

H&R Block also took a look at the ACA penalty exemption process and found 96 percent of those who qualified for and filed for a penalty exemption (IRS Form 8965) claimed a tax return exemption instead of one using the Marketplace exemption process. Taking an exemption saved taxpayers penalties averaging \$120.

Of those who claimed a tax return exemption, 46 percent indicated they had income below the tax filing threshold. Other common tax return penalty exemptions included

- Gap in coverage at the beginning of 2014
- Gap in Children's Health Insurance Program (CHIP) coverage
- Living in a state that did not expand Medicaid coverage
- Short-term coverage gap, amounting to a gap of less than three months

- Coverage considered unaffordable
- Living abroad

"The high usage of tax return ACA penalty exemptions signals that taxpayers may have had a bias to using methods that are familiar and convenient, which certainly was the case with tax return exemptions, versus using the paper-based Marketplace exemption process," Ciaramitaro said. "In addition, for those taxpayers who opted to pay the penalty, many may have concluded that was a better and easier option than supplying very personal information using an unsecure, unfamiliar and uncertain paper-based application in order to qualify for an exemption."

Year 2 - More of the same?

Next tax season brings additional information documents for most taxpayers to use on the tax return to indicate their household's health insurance coverage status. This year, only those with marketplace insurance received a reporting document -- the 1095-A. However, next year, all taxpayers with insurance will be provided documentation from the government, their employer or their private insurance carrier. Two new documents will be required in the form of a 1095-B or 1095-C.

While the average penalty of \$178 at year's end was almost double what many assumed was a flat \$95 fee, Ciaramitaro said tax filers can expect the flat fee to increase to \$325 per adult, or it could be 2 percent of household income minus the filing threshold, whichever is greater. For example, the penalty this year for a family of four earning \$60,000 was around \$400, but next year that increases to \$975. The Year 2 penalty could drive increased interest in exemptions as well as marketplace enrollments, Ciaramitaro said.

"This season saw general ACA-related confusion, incorrect or delayed 1095-A information documents, and overall anxiety regarding refund impacts," Ciaramitaro said. "With many taxpayers now receiving coverage documentation, more taxpayers who will experience APTC reconciliation and the doubling of penalties, unfortunately we should expect taxpayer anxiety and confusion to continue next year."

About H&R Block

H&R Block, Inc. (NYSE: HRB) is the world's largest consumer tax services provider. More than 650 million tax returns have been prepared worldwide by and through H&R Block since 1955. In fiscal 2014, H&R Block had annual revenues over \$3.0 billion with 24.2 million tax returns prepared worldwide. Tax return preparation services are provided by professional tax preparers in approximately 12,000 company-owned and franchise retail tax offices worldwide, and through H&R Block tax software products. H&R Block Bank provides affordable banking products and services. For more information, visit the H&R Block Newsroom at <http://newsroom.hrblock.com/>.

For Further Information

Gene King

816-854-4287

[Email contact](#)

Source: H & R Block