

H&R Block: Taxpayers Following ACA Rules, Refunds Take a Hit

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So Far Taxpayers Seem to Be Indicating True Insurance Status as Refunds Dip 17 Percent

KANSAS CITY, MO -- (Marketwired) -- 02/24/15 -- So far in the 2015 tax season, H&R Block (NYSE: HRB), the world's largest consumer tax services provider, is seeing a majority (52 percent) who enrolled in insurance via the state or federal Marketplaces paying back a portion of the Advance Premium Tax Credit (APTC). The average amount paid back is \$530, decreasing the tax refund on average by 17 percent, according to analysis almost six weeks into the 2015 tax season. In addition, it seems taxpayers are accurately indicating their insurance coverage status as the number of those selecting a penalty and/or qualifying for an exemption is in line with preseason projections.

The analysis by H&R Block, uniquely positioned in the industry as the largest provider offering both assisted and do-it-yourself tax preparation, indicates the data of returns filed to date is in line with three primary preseason expectations:

- A majority of year-end Marketplace enrolled clients who reconciled using Form 8962 underestimated their household income and therefore must repay a portion of the APTC.
- The average tax penalty for not having insurance was \$172, an indication that most taxpayers are paying more than the flat-fee of \$95 per uncovered adult penalty many consumers anticipated.
- Taxpayers appear to be foregoing hunting down Marketplace hardship exemptions and instead claiming tax return exemptions, especially those which are income based.

"Our data suggests that most taxpayers are accurately indicating their household insurance coverage status," said Mark Ciaramitaro, vice president of H&R Block health care and tax services. Ciaramitaro said clients "appear to be answering truthfully by paying the tax penalty for being uninsured. We don't think they are just checking the box that they are covered when they're not."

Average refund reduced 17 percent

With many clients relying on 2012 income as a baseline to estimate their 2014 income at the time of the first open enrollment, H&R Block expected that most filers would not accurately estimate their 2014 household income. This income underreporting has led to a majority of Marketplace-enrolled taxpayers paying back a portion of the tax credit. The average tax refund for these taxpayers was almost \$3,100 but it was reduced by \$530 due to the tax credit reconciliation process.

"The level of payback of the Advance Premium Tax Credit is significant in that it's costing taxpayers a large percentage of their refund -- a refund many of them count on to pay household expenses," Ciaramitaro said.

Conversely, the analysis also showed roughly one-third of Marketplace enrollees overestimated their 2014 household income, and therefore received an additional premium tax credit of close to \$365 on average, which was an additional 11 percent increase resulting in an average \$3,816 refund.

H&R Block is assisting clients in its offices by conducting a detailed [ACA tax impact analysis](#) to help them understand their personal situation and apply for Marketplace insurance plans with a more accurate household income figure going forward.

Average penalty hits \$172, most exemptions claimed via tax return

H&R Block has seen clients impacted by the penalty pay on average \$172. Of those taxpayers who claimed an exemption, more than nine out of 10 claimed a tax return exemption at the time they filed. The most common tax return exemption was due to the taxpayer's income being below the filing requirement. The second and third most common exemptions were due to a gap in health insurance coverage or being a resident of a state without Medicaid expansion.

For next tax filing season, it is important to note that the base penalty will increase to the greater of \$325 or 2 percent of household income for 2015. The good news is that anyone who has not filed a 2014 tax return, and learns they will be penalized for not having insurance during their tax preparation this season, may qualify for a special enrollment period to obtain Marketplace health insurance.

"As we go through the tax season we continue to work with clients helping them understand the tax impact to them and their family because of the ACA," Ciaramitaro said. "With all the change to this year's tax forms, it is important to ensure an accurate tax return and timely refund and make informed decisions going forward."

Taxpayers can find their local H&R Block office to schedule an appointment and receive a free ACA tax impact analysis with a tax professional [online](#) or by calling 1-800-HRBLOCK.

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/>.

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Source: H & R Block