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Affordable Care Act with Overseas Taxpayers

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Under the Affordable Care Act, the federal government, state governments, insurers, employers and individuals are given shared responsibility to reform and improve the availability, quality and affordability of health insurance coverage in the United States. Starting in 2014, the individual shared responsibility provision calls for each individual to have minimum essential health coverage (known as minimum essential coverage) for each month, qualify for an exemption, or make a payment when filing his or her federal income tax return.

The provision applies to individuals of all ages, including children. The adult or married couple who can claim a child or another individual as a dependent for federal income tax purposes is responsible for making the payment if the dependent does not have coverage or an exemption. The provision went into effect on Jan. 1, 2014. It applies to each month in the calendar year.

Minimum essential coverage includes: Employer-sponsored coverage, including self-insured plans, COBRA coverage and retiree coverage, Coverage purchased in the individual market, including a qualified health plan offered by the Health Insurance Marketplace , Medicare Part A coverage and Medicare Advantage plans, Most Medicaid coverage, Children's Health Insurance Program (CHIP) coverage. Certain types of veterans health coverage administered by the Veterans Administration, Most types of TRICARE coverage under chapter 55 of title 10 of the United States Code, Coverage provided to Peace Corps volunteers, Coverage under the Non-appropriated Fund Health Benefit Program, Refugee Medical Assistance supported by the Administration for Children and Families, Self-funded health coverage offered to students by universities for plan or policy years that begin on or before Dec. 31, 2014, State high risk pools for plan or policy years that begin on or before Dec. 31, 2014, and other coverage recognized by the Secretary of HHS as minimum essential coverage

US citizens living abroad

U.S. citizens who are not physically present in the United States for at least 330 full days within a 12-month period are treated as having minimum essential coverage for that 12-month period. In addition, U.S. citizens who are bona fide residents of a foreign country (or countries) for an entire taxable year are treated as having minimum essential coverage for that year. In general, these are individuals who qualify for a foreign earned income exclusion under section 911 of the Internal Revenue Code. Individuals may qualify for this rule even if they cannot use the exclusion for all of their foreign earned income because, for example, they are employees of the United States. Individuals that qualify for this rule need take no further action to comply with the individual shared responsibility provision during the months when they qualify.

U.S. citizens who meet neither the physical presence nor residency requirements will need to maintainminimum essential coverage, qualify for an exemption or make a shared responsibility payment for each month of the year.

If you would like to discuss this or any other U.S. tax or accounting matter, please feel free to call Gabriel at 773.269.6513 or email Gabriel.wise@wisecpagroup.com.

We look forward to hearing from you.

Gabriel Wise, CPA MST