

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 505  
**Version:** As introduced

**DATE:** March 9, 2015

**Authors:** Davids and others

**Subject:** Tax credit for ACA excess advance premium credits

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This bill allows a refundable tax credit for the amounts Minnesota taxpayers must repay in excess advanced premiums credits under the federal Affordable Care Act (ACA). For part-year residents or nonresidents, the credit equals the proportions of their incomes that are derived from Minnesota sources (or for a part-year resident, the proportion that is taxable by Minnesota).

**Effective date:** tax year 2015

**Background information.** To help taxpayers pay for health insurance, the ACA provides a premium assistance tax credit to qualifying taxpayers (generally individuals purchasing insurance through a state exchange (MNSure) that meet income and other requirements). The amount of this credit is based, in part, on the taxpayer's income for the tax year, and in most cases is paid by the federal government to the insurance company *during the tax year*. These advance payments of the premium assistance credits are based on information provided by the taxpayer when purchasing insurance through the exchange, including estimates of what their income will be for the tax year.

Because the federal credit is paid during the tax year and because qualification depends on the income for that same tax year, the amount of these advance payments may differ from the ultimate credit that the taxpayer is entitled to receive based on actual (rather than estimated) income. Put another way, the taxpayer's actual income may be higher or lower than the taxpayer estimated when purchasing insurance through the exchange. When the taxpayer files a federal income tax return for the tax year, the advanced payment credit amount (i.e., the amount that was paid to the insurance company) must be reconciled with the actual tax credit that the taxpayer is entitled to receive based on actual income for that year. If the tax credit is higher, the taxpayer receives a refund. If it is lower, the taxpayer must repay the difference. This bill would allow a Minnesota taxpayer to receive a refundable state tax credit for the amounts required to be repaid to the federal government.