

<b>TAX TIPSHEET DC</b> AARP TAX-AIDE	<b>DC Shared Responsibility Payment</b>		
	Tax Yr. 2023	By: Linda Auwers	1/31/2023

## Purpose

This Tip Sheet reviews how to fill out the information in Schedule HSR, the DC form to calculate the Shared Responsibility Payment for DC taxpayers who do not have health insurance.

## What is the Shared Responsibility Payment?

DC law requires all residents to have health insurance coverage, have an exemption, or pay a penalty when they file taxes. Most DC residents have health insurance and there are many exemptions for those who do not. Very few taxpayers are obligated to pay the penalty.

The calculation of the Shared Responsibility is complicated. Under DC law the shared responsibility payment in 2023 is equal to the **greater** of:

a flat amount equal to \$745 per adult person in the family (\$372.50 for children) capped at \$2,235 per family, or

2.5% of AGI less a “standard deduction” amount that is set at the dollar amount of the filing threshold for the taxpayer.

The penalty is prorated when the taxpayer and family members had coverage during part of the year, or an exemption applied for one or more months. This penalty is very similar in structure and application to the federal Affordable Care Act Shared Responsibility payment, which was in effect in 2018 and 2019 and is now set at zero.

## Who Must Pay the Shared Responsibility Payment?

Taxpayers who do not have qualifying health insurance must pay the shared responsibility payment unless they have an exemption. Health coverage that provides a broad range of health services like doctor visits, hospitalization, emergency services and prescription drug coverage meets DC’s individual responsibility requirement. Comprehensive employer-provided plans, plans purchased through DC Health Link, Medicare, Medicaid, U.S. Veterans Affairs coverage are some of the plans considered to be qualifying health insurance.

The taxpayer is responsible for providing the information as to whether they have qualifying health insurance. If the taxpayer does not know if their plan is qualified, ask the taxpayer to contact their insurance company and ask whether it meets the federal requirement for minimum essential coverage. If it does, it likely meets DC’s qualifying health insurance requirement. The types of plans that do not qualify include limited benefit plans (for example, hospital only or vision only) and short-term, limited duration plans. For taxpayers who do not have insurance coverage the exceptions to the coverage requirement are discussed below.

## Exemptions to the Health Insurance Requirement.

Exemptions apply individually to each member of the health care shared responsibility family. The family includes both dependents who are claimed on the tax return and dependents who could be claimed on the tax return. A taxpayer who can be claimed as a dependent on someone else’s tax return is not subject to

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the shared responsibility payment but the taxpayer who claims the dependent (or who could claim the dependent) is responsible for any penalty.

There are a number of exemptions that may apply, which means that taxpayers without health insurance will not need to pay the penalty. The two most commonly seen are the low-income exemption and a short-term gap in coverage.

The low -income exemption applies if the household income is low. For tax year 2023, the following income limits apply:

<b>Number of Shared Responsibility Family Members:</b>	<b>If your AGI is equal to or below the following amounts, members age 21 or older as of 12/31/2023 are exempt:</b>	<b>If your AGI is equal to or below the following amounts, members under age 21 as of 12/31/2023 are exempt:</b>
1	\$32,367.60	\$47,239.20
2	\$43,778.40	\$63,892.80
3	\$55,189.20	\$80,546.40
4	\$66,600.00	\$97,200.00
5	\$78,010.80	\$113,853.60
6	\$89,421.60	\$130,507.20
7	\$100,832.40	\$147,160.80
8	\$112,243.20	\$163,814.40
<b>For Each Additional Member, add:</b>	<b>\$11,410.80</b>	<b>\$16,653.60</b>

Federal AGI is used to determine this exemption. If a spouse or a dependent files a separate return that person's AGI does not need to be considered in this calculation. You apply the income limits based on the age of the family member. This means a single taxpayer over 21 who has an AGI of \$30,000 can claim the low-income exemption. A taxpayer with a family of five can claim the low-income exemption for family members over 21 with an AGI up to \$78,010.80 and for family members under age 21 with a household income up to \$113,853. If the AGI for the family of five is \$100,000 and no other exemption applies, then the penalty is due for the two family members over 21 but not for the three family members under 21.

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The other commonly seen situation is a short-term coverage gap usually related to a job change or job loss. A coverage gap less than 3 consecutive months during the year is exempt and will not lead to the penalty.

Other exemptions include:

- Not a resident of the District of Columbia for the months without insurance
- Enrolled in DC Healthcare Alliance coverage
- US citizen who lived abroad during the tax year or was not lawfully present (i.e., not a US citizen, not a US national, or not an alien lawfully present in the US)
- Member of a health care sharing ministry
- Member of a religious sect that is conscientiously opposed to accepting health insurance benefits, including Social Security and Medicare
- No coverage based on a sincerely held religious belief
- Member of a federally recognized Indian tribe
- Incarceration (serving a jail or prison sentence)

A taxpayer may also apply for two additional exemptions from DC Health Link, the DC health insurance marketplace established after passage of the Affordable Care Act. The first is affordability. Coverage is considered unaffordable if the taxpayer would have to pay more than 8 percent of income for the lowest cost plan available.

Note: These links may open in the same window. Use the back arrow located left of the URL to return to this TipSheet.

The second is hardship. There is a long list of potential hardship exemptions, including homelessness and domestic violence. The list is available at <https://dchealthlink.com/individual-responsibility-requirement#exemption>.

For those exemptions that require approval of DC Health Link, tax counselors cannot use the exemption unless the taxpayer has a letter from DC Health Link granting approval. The applications are available at [https://dchealthlink.com/individual-responsibility-requirement#apply\\_for\\_exemption](https://dchealthlink.com/individual-responsibility-requirement#apply_for_exemption). You can recommend that the taxpayer contact DC Health Link prior to filing the return to see if exemption approval can be obtained during the tax season to reduce the taxpayer’s tax burden. DC Health Link can also help the taxpayer find affordable coverage.

### Completing Schedule HSR in TaxSlayer.

Filling out the information for Schedule HSR in TaxSlayer can be confusing. One key is to remember that the data entry interprets “maintaining minimum essential coverage” as a type of exemption. On the Schedule HSR itself, this is called exemption “Z.”

Take the following steps to complete Schedule HSR in TaxSlayer:

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1. When you open the DC State Return, respond *yes* to filling out the health insurance information. If you have previously started the DC return, simply open the first item on the District of Columbia Return menu: *Health Care Information – Schedule HSR*. Review each of the questions with the taxpayer and fill in the answers as needed.
2. Answer the Part I question. If all members of the health care shared responsibility family have qualifying health coverage for every month in the tax year, select *yes*. You do not need to complete any additional information. Click *Save* and turn to the remaining DC return items.
3. If the answer to the Part I question is *no*, then proceed as follows. Determine if the taxpayer’s AGI is below \$32,367.60. If it is, you do not need to do anything else to complete Schedule HSR. Simply enter *Continue* and complete the remaining parts of the DC return.
4. If the taxpayer’s AGI is above \$32,367.60, answer the two questions in Part II. Review the list of exemptions and talk with the taxpayer to determine if any exemption applies to any member of the family for any month without health insurance. For the first question in Part II, indicate if any family member has a sincerely held religiously belief and lacked coverage on that basis. The next question in Part II is unclear. Answer *yes* if any family member had an exemption for any month, but also answer *yes* if any family member had insurance for any part of any month but other family members had a gap in coverage.

Note that coverage for one day in a month is coverage for that month. In other words, if coverage started January 31 and ended February 1<sup>st</sup>, the taxpayer had coverage for two months, January and February. Only answer *no* if each family member lacked insurance and had no exemption each month of the year other than a sincerely held religious belief.

5. Next, enter members of the shared responsibility family by selecting *Begin* under Coverage Exemptions and All Members of Shared Responsibility Family. On the next page select *Select Member*. Then select one member of the family from the drop-down menu. Select the exemption type or if the member had coverage for some of the year, select maintained minimum essential coverage. Then enter the number of months that the taxpayer had an exemption or had minimum essential coverage. If the answer is 12, then filling out the monthly information is not necessary. If, for instance, a family member did not have coverage in January or February, but did have insurance March through December, select *Short Coverage Gap* and 2. It is not necessary to fill out the monthly information. Keep in mind that the exemptions “Affordability” and “General Hardship” require prior approval from DC HealthLink.

If the family member had more than one type of exemption, then enter each type of exemption separately with the number of months for that exemption. You select *Add a Member* for each type of exemption and put in the information for the same person but with the different exemption. You do not need a separate entry for the months that the member had health insurance. If there were one or more months in which the family member had no insurance and did not have an exemption, then select *No healthcare coverage and no exemption* for those months for each of the entries for that person.

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6. If the taxpayer has additional dependents who could have been claimed on the return but are not claimed on the return, select *Begin* next to the entry *Additional Members of Shared Responsibility Family not included on Federal or DC Return*. On the next page, select *Add Member*, and fill out the requested information in the same manner as above. You need to make this entry even if the taxpayer could claim a dependent but does not.
7. Once all family members on the return have been added, select *Continue*, which will save your entries. Then exit the DC return. Once you are back on the state return page, select the printer icon and look at Schedule HSR to see if the penalty has been accurately assessed (or not assessed if each member of the family had either insurance or an exemption for each month of the year).

Generally, the easiest way to determine this is to look at *Worksheet A-2* to see if it accurately reflects the number of months in which a family member did not have insurance coverage or an exemption. TaxSlayer will calculate the amount of the penalty based on family income. The penalty assessed will be based pro rata on the months that the taxpayer or family member had neither health insurance nor an exemption.

If *Worksheet A-2* is not correct, check the coverage information that you submitted for the family number whose exemptions or coverage are not accurately reflected. If you do not identify an error in data entry, consult with the LC at your site.