



Treasury Inspector General for Tax Administration Office of Audit

AFFORDABLE CARE ACT: ASSESSMENT OF INTERNAL REVENUE SERVICE PREPARATIONS TO ENSURE COMPLIANCE WITH MINIMUM ESSENTIAL COVERAGE AND SHARED RESPONSIBILITY PAYMENT REQUIREMENTS

Issued on March 30, 2015

Highlights

Highlights of Report Number: 2015-43-030 to the Internal Revenue Service Director of the Affordable Care Act Office.

IMPACT ON TAXPAYERS

Beginning in January 2014, the Affordable Care Act (ACA) requires each individual to have basic health insurance coverage known as Minimum Essential Coverage (MEC) or pay an additional tax referred to as a Shared Responsibility Payment (SRP). The ACA allows for exemptions from the MEC requirement. Exemptions can be obtained from a Health Care Exchange or from the IRS.

WHY TIGTA DID THE AUDIT

This audit was initiated because taxpayers are required to report compliance with the MEC requirement for themselves, their spouse, and their dependents on their Tax Year 2014 tax return, obtain an exemption, or pay an SRP.

The objective of this review was to evaluate the status of the IRS's preparations for determining whether taxpayers maintained MEC or met exemption requirements and assessing the SRP during the 2015 Filing Season.

WHAT TIGTA FOUND

The ACA requires Health Care Exchanges, employers, and insurance providers (referred to as insurers) to provide individuals information related to their health insurance coverage. However, on July 9, 2013, the Department of the Treasury delayed employer and insurer reporting of health insurance information until March 2016. Therefore, the IRS has not developed processes and procedures to verify compliance with MEC requirements for the 2015 Filing Season.

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*****2*****. However, the IRS will assess MEC compliance on Tax Year 2014 tax returns that it identifies

through its normal examination compliance activity. To assist tax examiners, the IRS developed a tool to compute the SRP. TIGTA found this tool accurately computes the SRP. In addition, TIGTA believes the tool would be helpful to taxpayers and should be made available on IRS.gov.

The ACA exempts certain individuals from the MEC requirement for all or part of a calendar year. The IRS plans to use information obtained during the 2015 Filing Season to develop post-processing compliance strategies to be used in future years.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Affordable Care Act Office, add an online SRP calculation tool to IRS.gov for the 2016 Filing Season, in a continued effort to provide taxpayers with self-assistance interactive tools.

The IRS agreed with this recommendation and plans to assess the feasibility and cost to provide an online SRP estimator tool.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2015reports/201543030fr.pdf>

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