

Premium Tax Credit (Subsidy) and Your HRA



You may qualify for the Premium Tax Credit (subsidy) if you or a family member purchase health insurance through a state or federal marketplace exchange (sometimes referred to as “Obamacare”). The Premium Tax Credit subsidizes a portion of the premiums you pay for health insurance purchased through an exchange. If you are eligible for the Premium Tax Credit, you can choose to take it in advance, which will lower your out-of-pocket premium amount, or you can wait until you file your tax return.

Please note the following if you purchase insurance through a marketplace exchange and want to qualify for the Premium Tax Credit:

1. Marketplace exchange premiums that are not subsidized by the Premium Tax Credit can be reimbursed from a full-coverage HRA;
2. Marketplace exchange premiums that are subsidized by the Premium Tax Credit cannot be reimbursed from your HRA; and
3. You may not qualify for the Premium Tax Credit for any month during which you have a full-coverage HRA.

If you have a full-coverage HRA, are claims-eligible, and have a positive HRA balance or are receiving ongoing HRA contributions, then it may make sense for you to either use up or limit your HRA, as described in more detail below. If you decide to take one of these actions, you should do so before taking the Premium Tax Credit in advance.

Keep in mind that, depending on your circumstances, you may not need to take any action at all. For example, if any of the following factors are true, then you cannot qualify for the Premium Tax Credit and you do not need to use up or limit your HRA:

1. You are eligible for employer-sponsored group health plan coverage that meets the affordability and minimum value requirements under federal healthcare reform law. (If you are not sure whether this applies to you, check with your employer.);
2. You are eligible for coverage under a governmental plan such as Medicaid, Medicare, CHIP, or TRICARE;
3. Your total family income, including income from investments, retirement benefits, and Social Security, exceeds the maximum amount for eligibility for the Premium Tax Credit (400% of the federal poverty level);
4. You are married but do not file a joint tax return; or
5. You are claimed as a dependent on someone else’s tax return.

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What if my full-coverage HRA is the only thing keeping me from qualifying for the Premium Tax Credit?

If you are claims-eligible and your full-coverage HRA is the only reason you cannot qualify for the Premium Tax Credit, you may consider one of these two options:

- 1. Using up your HRA before taking the Premium Tax Credit.** You do not have to take the Premium Tax Credit right away. You could first use up your HRA to reimburse your non-subsidized premiums (and any other qualified medical care expenses incurred since your claims-eligibility date). Then, you could begin taking the Premium Tax Credit in advance to lower your monthly premium, or wait and claim it on your tax return, but only for premiums you paid after using up your HRA. Keep in mind that, if you receive any additional HRA contributions after using up your balance, you will lose eligibility for the Premium Tax Credit for any months during which you have (or had) a positive balance in your HRA.
- 2. Electing Limited HRA coverage.** If you elect Limited HRA coverage, your HRA will reimburse only certain dental, vision, and long-term care expenses and premiums (subject to IRS limitations). If you elect Limited HRA coverage for Premium Tax Credit eligibility, you can switch your HRA back to full coverage for any period that you are not taking the Premium Tax Credit. Limited HRA coverage is designed as an “excepted benefits plan” and is not considered “minimum essential coverage” under federal healthcare reform law. To elect Limited HRA coverage, submit a **Limited HRA Coverage Election** form. Forms are available after logging in at hraveba.org and clicking **Resources**, or contact our Customer Care Center.

Consider your options carefully.

You should seek advice from a tax professional. The best decision may vary depending on your individual circumstances, including the amount in your HRA compared to the subsidy amount you could receive. Keep in mind that if you take the Premium Tax Credit without first using up or limiting your HRA as described above, you will likely not qualify for the Premium Tax Credit and may be required to pay it back when you file your tax return.

Where can I get more information?

This Plan Summary is intended to provide you with general information about the Premium Tax Credit and the options available to you under the Plan. For more information, go to www.irs.gov and type “Premium Tax Credit” in the search bar.

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