



Treasury Inspector General for Tax Administration Office of Audit

AFFORDABLE CARE ACT: INTERIM RESULTS OF THE INTERNAL REVENUE SERVICE VERIFICATION OF PREMIUM TAX CREDIT CLAIMS

Issued on May 29, 2015

Highlights

Highlights of Report Number: 2015-43-057 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The Affordable Care Act created the refundable Premium Tax Credit (PTC) to assist eligible taxpayers with paying their health insurance premiums. Individuals may elect to have the PTC paid directly to their health insurance provider as partial payment for their monthly premiums (referred to as the Advance Premium Tax Credit (APTC)) or receive the PTC as a lump sum credit on their annual Federal income tax return. According to the IRS, almost \$11 billion in APTCs was paid to insurers in Fiscal Year 2014.

Beginning in January 2015, individuals who received an APTC are required to reconcile the amount paid on their behalf to the allowable amount of their PTC when they file their Tax Year 2014 return.

WHY TIGTA DID THE AUDIT

The Consolidated and Further Continuing Appropriations Act of 2015 requires a report no later than June 1, 2015, on the IRS's reconciliation of APTCs paid to taxpayers and the Department of Health and Human Services use of IRS information to reduce fraud and overpayments. The objective of this review was to provide selected information related to the processing of PTC claims during the 2015 Filing Season. TIGTA plans to issue the final results of its analysis later in Calendar Year 2015.

WHAT TIGTA FOUND

As of March 26, 2015, the IRS processed nearly 1.4 million tax returns that reported approximately \$4.4 billion in PTCs (which were either received in advance or claimed at the time of filing). Taxpayers claimed more than \$240 million in additional PTCs and reported receiving more than \$572 million in excess APTC payments.

The Affordable Care Act requires Marketplaces (also referred to as Exchanges) to provide the IRS with

information regarding individuals enrolled in an Exchange on a monthly basis (referred to as Exchange Periodic Data). Exchanges are where individuals can purchase insurance and receive assistance with paying their premiums. During the Calendar Year 2014 health insurance enrollment period, the District of Columbia and 14 States operated their own Exchanges, while the remaining 36 States partnered with the Federal Exchange.

The IRS anticipated the first Exchange Periodic Data submission, covering the period January 2014 through May 2014, would be received in June 2014. However, the IRS did not receive the required Exchange Periodic Data from all of the Exchanges as of the start of the filing season (January 20, 2015). For example, the IRS did not receive Exchange Periodic Data for approximately 1.7 million (40 percent) of the approximately 4.2 million Federal Exchange enrollment records and did not receive the Exchange Periodic Data from six of the 15 State Exchanges.

Because of incomplete and unreported data from the Exchanges, the IRS is unable to ensure that taxpayers claiming the PTC purchased insurance through an Exchange and properly reconciled APTCs received. However, the IRS has developed processes to identify erroneous PTC claims. Our review of these processes identified that 79 of the 80 reject code conditions and 16 of the 20 PTC error codes were working as intended. Computer programming errors resulted in the reject and PTC error codes not always identifying tax returns with the particular error condition. The IRS plans to make programming corrections.

This report was prepared to provide interim information only. Therefore, no recommendations were made in the report.

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/201543057fr.pdf>.

E-mail Address: TIGTACommunications@tigta.treas.gov

Phone Number: 202-622-6500

Website: <http://www.treasury.gov/tigta>