



Treasury Inspector General for Tax Administration Office of Audit

AFFORDABLE CARE ACT: THE CUSTOMER SERVICE STRATEGY SUFFICIENTLY ADDRESSES TAX PROVISIONS; HOWEVER, CHANGES IN IMPLEMENTATION WILL CREATE CHALLENGES

Issued on December 30, 2013

Highlights

Highlights of Report Number: 2014-43-006 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement

IMPACT ON TAXPAYERS

The Affordable Care Act (ACA) includes tax provisions that require individuals to maintain minimum essential coverage (MEC) and that provide for a tax credit (Premium Tax Credit) to offset an individual's health care expenses. The IRS will impose a penalty on any taxpayer who, after Calendar Year 2013, fails to maintain the MEC for three months or more and does not qualify for an exemption.

WHY TIGTA DID THE AUDIT

This audit was initiated to evaluate the IRS's efforts to provide individuals assistance related to the ACA provisions on obtaining the MEC and the tax credit to offset health care expenses. Starting in October 2013, individuals who seek to acquire the MEC for Calendar Year 2014 will be offered a choice of health plans and the ability to determine their eligibility for a tax credit through one of the State Marketplaces or the Federal Marketplace.

WHAT TIGTA FOUND

The IRS's customer service strategy is a collaborative and coordinated effort between the IRS and multiple Federal and State agencies. The strategy includes sufficient plans to 1) perform outreach and education; 2) update or develop tax forms, instructions and publications; and 3) provide employee training to assist individuals in understanding the requirement to maintain the MEC and the tax implications of obtaining the tax credit to offset the cost of health care insurance.

In a May 2012 Memorandum of Understanding between the IRS and the Department of Health of Human Services (HHS), it was agreed that the HHS would be the lead agency and serve as the "public face" for providing customer service at the Marketplaces until

Calendar Year 2015. Individuals who contact the IRS for ACA assistance will be referred to the HHS's public website (Healthcare.gov) and toll-free telephone assistance lines. The IRS will also refer individuals to its own recorded telephone messages and self-assistance tools.

In Calendar Year 2015, the IRS will take the lead to provide customer service when individuals begin filing their 2014 tax returns and must include the amount of any Advance Premium Tax Credit payments on their tax return and reconcile it to the allowable amount. The IRS's customer service will include providing face-to-face assistance at its 390 Taxpayer Assistance Centers located throughout the United States.

However, changes in ACA implementation will create challenges. Depending on the nature of any changes made to ACA tax provisions, the IRS's strategy and plans to provide customer service, outreach, education, and employee training could be affected. Changes to the provisions could also affect the IRS's plans to update its tax forms, instructions, and publications.

WHAT TIGTA RECOMMENDED

TIGTA did not make recommendations in this report. A draft of the report was provided to IRS management for review. The IRS did not provide comments on the report.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201443006fr.pdf>.