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IRS Still Isn't Ready For Obamacare, Says Watchdog

Part of Obamacare known as the [Premium Tax Credit](#) is supposed to subsidize the cost of health insurance for some Americans. It is one of many parts of the ironically named Affordable Care Act that puts the IRS squarely at the center of Obamacare. There is still some uneasiness among some conservatives about the IRS targeting of conservatives, and some who doubt whether the President was correct when he said there was 'not even a smidgen of corruption.'

But whether the American public wants the IRS involved—and whether the IRS likes it or not—it has a big role in Obamacare. There is a far more central role the IRS should have in the collection of revenues and in the administration of the tax system. It is unfortunate that this already overburdened agency is saddled with Obamacare too. The vastly complicated law allows individuals to elect to receive their credit in advance as partial payment for their monthly premiums.

That is the Advance Premium Tax Credit, and it is one reason so many 2014 tax filers early in 2015 ended up owing a lot more in taxes to the IRS than they thought they would. Alternatively, people can get the premium tax credit as a lump sum credit on their tax return when they file it. 2014 was the first year for this, so the 2015 tax return filing season was an especially difficult one.



US President Barack Obama speaks about healthcare reforms and the Affordable Care Act, known as Obamacare, during the Catholic Hospital Association Conference in Washington, DC, June 9, 2015. AFP PHOTO / SAUL LOEB (Photo credit should read SAUL LOEB/AFP/Getty Images)

Now, a report from the Treasury Inspector General for Tax Administration suggests it may not get better. The purpose of this [Audit Report](#) was to assess the status of the IRS's preparations for verifying the accuracy of Premium Tax Credit claims during the 2015 filing season. First, the report says that the IRS did not receive all required enrollment data from the Exchanges before the start of the 2015 filing season.

The Centers for Medicare and Medicaid Services couldn't send all the Federal Exchange enrollment records to the IRS until mid-February. Six of the State Exchanges (including the District of Columbia) had not provided enrollment data to the IRS as of January 20, 2015. Data from four of the six State Exchanges were to be provided in mid-February but a date for the remaining two State Exchanges wasn't clear.

To its credit, the IRS developed contingency plans, but without having the required enrollment data, the IRS could not even make sure that all taxpayers claiming the credit *actually bought insurance through an Exchange*. The whole repayment process was a mess too. The report says that neither the IRS regulations nor those from the Department of Health and Human Services fully address the mechanics for repayment of credits that are too high. And there were many of those.

There isn't even a mechanism for the Exchanges to notify the IRS when someone is determined to be ineligible subsequent to enrollment. The Inspector General recommended that the IRS revise its

computer programming to use [Forms 1095-A](#), along with the monthly data provided by the Exchanges to verify claims for the credit.

There should also be an explicit notice from the Exchanges to the IRS when someone is ineligible after enrolling. This last idea may never happen since the IRS has said it does not agree. The subsidy process is confused, and because estimating is allowed, tax credits to offset insurance premiums may be wrong. Taxpayers are unhappy if they thought they were getting a refund, but actually owe the IRS instead. And now that the public knows there are apparently not checks and balances, it could get worse.

Obamacare was enacted in 2010, eventually rolled out, and repeatedly delayed. The individual mandate has turned out to be a verification mess too. As enacted, employers were supposed to send the IRS lists of employees with health coverage through their employment. Yet there will be more self-reporting than originally envisioned. Some taxpayers are likely to just skip the question about health insurance. If you don't say yes or no, the reasoning goes, how can they penalize you? Tax return preparation software may or may not default to yes or no for health insurance. Remember, though, that you must sign your tax return under penalties of perjury.

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