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Obamacare Tax Filing Backlash: There Will Be Blood

No one likes tax season, but this year, the Obama administration has its own special reasons not to like it. And maybe be nervous. As [The New York Times reported](#), while the country is trying to get used to Obamacare, one huge test will be this IRS filing season. It is an odd symbiosis, with tax filing time bringing some taxpayers the awareness that they owe penalties. Others who got subsidies and expect tax refunds may get a smaller refund or owe the IRS.

Everyone could end up with one type of unhappiness. The Affordable Care Act, aka Obamacare, is part health law and part tax law. Some feel benefited, some burdened. And one's perceptions about that can change over time. Either way, you may be annoyed by the extra forms and extra tax compliance, even if your tax bill doesn't go up. The IRS has a far more important role in the law than you might think.

This year for the first time, the [Affordable Care Act has created a trickier tax season](#). It is more expensive, as virtually all Americans filing tax returns will have to consider the law's impact. There will be confusion and many mistakes. The mandate requiring that most Americans must carry health insurance means you must state on your tax forms whether you have coverage.

You also must say whether you got tax credits to help pay for it. If you did not have coverage in 2014 as required and say you didn't, there's a fine. Yet if you fail to pay it, many in the tax filing business think you may slide by without incident. On the other hand, if you are entitled to subsidies, your tax refund is likely to go down. Your refund may go down so much that you may even owe the IRS.

The subsidy process is confused and many people who received subsidies are likely to owe the IRS. Why? Because there is estimating involved, the tax credits they received to offset their insurance premiums may have been too large.

In fact, H&R Block estimated that up to one half of the approximately 6.8 million taxpayers who received subsidies in 2014 may owe the IRS. The Times reported that 85% qualified for tax credits to offset their premiums, and many were paid in advance. Taxpayers will be unhappy if they thought they were getting a refund, but are getting no refund and actually owe the IRS.

All the way around, some in the President's administration may regard this tax filing season as a nail-biter. Taxpayers who owe a penalty may be unhappy too. The penalties can be as much as 1 percent of income for some households.

Obamacare was enacted in 2010, eventually rolled out, and repeatedly delayed. As enacted, employers were supposed to send in to 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.

Finally, a major impact on many higher income taxpayers is likely to be the 3.8% net investment income tax. It was enacted in 2010 expressly to fund the health law. It first took effect in 2013, and 2014 is likely to be a big year. If you need guidance, the IRS has released these [questions and answers on the net investment income tax](#).

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