

# Tax refunds for many take hit or get bump from health law

**AP**

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WASHINGTON (AP) — As the April 15 tax deadline nears, people who got help paying for health insurance under President Barack Obama's law are seeing the direct effect on their refunds — hundreds of dollars, for better or worse.

The law offers tax credits so people without access to job-based health insurance can buy private coverage. Because these subsidies are tied to income, consumers must accurately estimate what they will make for the coming year.

That's been a challenge for millions of people.

Guess on the low side, get more help now with premiums, but owe money later at filing time. Overestimate income, expect bucks back from the taxman.

Many consumers may not have understood that is how it works when they signed up. Some experts caution that such complications could discourage uninsured people from getting covered.

Rob Tuck of Dublin, California, said he had anticipated a refund of about \$400 on his 2014 taxes. But that almost has been wiped out because he had to repay some of the subsidy. He changed jobs during the year, and his income went up a little.

Tuck, who works for a San Francisco area tech-support company, said he enrolled to avoid tax penalties for being uninsured, but feels penalized anyway now.

"I was expecting to get dinged a little bit, but I was actually kind of surprised when it came down that much," he said.

Kelsey Park started out 2014 in Dallas, earning good commissions by selling wedding gowns. She left for graduate school at the University of Alabama in Tuscaloosa, and signed up for

coverage through the law. She ended up overestimating her income because she didn't get another job as anticipated.

Park's tax refund came to \$2,500, partly because she had too much income tax withheld and partly because she received a smaller health care subsidy than she was entitled to.

"It was hard to estimate what I would be earning because I was transitioning in life," said Park, who's studying for a master's degree in marketing. "I tend to overestimate because I don't want to have to pay back," she said.

The average refund is large enough to offset any repayment in most cases, according to the Treasury Department. The White House says the Affordable Care Act is working even better than anticipated.

But this is the first year that the complicated connections between the law and the tax system are playing out for consumers.

Initial reports suggest a fairly even split between tax-return winners and losers.

Earlier in the filing season, tax preparation company H&R Block reported that 52 percent of its customers who got health insurance subsidies owed money back. Repayments averaged \$530, reducing expected refunds by 17 percent.

On the other hand, roughly one-third of customers with subsidies overestimated their incomes. As a result, their refunds went up by \$365 on average.

In a recent study, the nonpartisan Kaiser Family Foundation estimated that half those eligible for a subsidy would owe money, while 45 percent would receive a bigger refund.

The estimated average repayment was \$794, and the refund was \$773. The estimates were based on an analysis of census data about income changes among people likely eligible for health care subsidies.

Kaiser calculated that overall between 4.5 million and 7.5 million households have to account to the IRS for their subsidies.

This year is "a learning experience" for consumers and the government alike, said Kaiser's Cynthia Cox. "To the extent this makes people unsure of how much financial help they are going to get, it could be a discouragement for some to sign up."

To avoid tax surprises, consumers should contact the health insurance exchange if their income changes during the year.

Tucker Bush, an AmeriCorps VISTA volunteer in Tacoma, Washington, basically broke even. He ended up giving back \$19 of his subsidy, but not before he had spent an hour trying to figure out IRS Form 8962, which taxpayers must use to account for their subsidies.

"It caused me a little bit of a headache, and I have a college degree," said Bush, who volunteers at a nonprofit dental clinic for children. "If you are trying to help someone who may not have a college diploma, this is going to be a nightmare."

Bill Preus of St. Petersburg, Florida, was covered under the health care law for three months last year before transitioning to Medicare because of disability. Preus once had his own insurance agency, selling life and health policies. He is used to complexity, but said he never has seen anything like this.

Preus said he faces the prospect of paying back close to \$4,000 because of poor coordination between HealthCare.gov and his insurer, the government's failure to discontinue his health law subsidy after he went on Medicare, and forgiveness of a student loan debt that caused his income to go up.

"There is no one to talk to who can coordinate when extenuating circumstances like this come up, and it's a total mess," he said.

Preus said a tax preparer and an IRS representative both advised him to file an incomplete return so as to trigger an audit, suggesting that may be the best way to straighten things out.

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Associated Press Social Media Editor Eric Carvin contributed to this report.