

2023 Premium Tax Credit Tool: An Interactive Tool for Congressional Users

October 8, 2024

This Insight accompanies the 2023 Premium Tax Credit Tool, a Microsoft Excel file that congressional users can download from CRS.gov. The tool was designed to assist Congress in evaluating policy considerations in advance of the expiration of certain [premium tax credit](#) (PTC) provisions at the end of 2025. It can be used to demonstrate how changes to certain statutory parameters of the PTC would affect credit amounts for households with varying income, family status, and geographic characteristics.

The Premium Tax Credit

Certain households without access to subsidized health insurance coverage may be eligible for the PTC if they enroll in coverage purchased in the health insurance exchanges. The PTC was originally established under the Patient Protection and Affordable Care Act (ACA; [P.L. 111-148](#), as amended) and amended under [the American Rescue Plan Act of 2021](#) (ARPA, [P.L. 117-2](#)) and [the enacted budget reconciliation measure](#) ([P.L. 117-169](#)) commonly referred to as the Inflation Reduction Act. Several amendments are temporary.

The credit amount for a household generally is calculated as the difference between the *Second-Lowest-Cost Silver Plan (SLCSP) premium* and the *Required Premium Contribution* as per the following formula:

$$\text{Premium Tax Credit Amount} = \text{SLCSP Premium} - \text{Required Premium Contribution}$$

SLCSP premium refers to the premium for the second-lowest-cost silver plan in the household's local geographic area for its family status. *Required Premium Contribution* refers to the amount that a premium credit-eligible household may pay toward the plan premium.

The Required Premium Contribution is calculated by taking a percentage of the household's income. The applicable percentage is specified in statute and varies according to household income relative to the federal poverty level (FPL), using poverty guidelines updated by the Department of Health and Human Services (HHS) for the previous year. Thus, for example, [the 2022 HHS poverty guidelines](#) are used for determining the 2023 PTC.

To be eligible to receive the PTC in 2023, households must have had annual income at or above 100% of FPL. Eligible households with annual incomes between 100% and 149% of FPL were required to pay 0%

Congressional Research Service

<https://crsreports.congress.gov>

IN12437

of their income (prorated monthly) before receiving a credit. Eligible households with annual incomes between 150% and 400% were required to pay a percentage that ranges from 0% to 8.5% of their income (prorated monthly) before receiving the credit. The Required Premium Contribution percentage increased in even increments within designated income tiers between 150% and 400% of FPL. For example, within the 150% to 200% of FPL income tier, the Required Premium Contribution percentage increases from 0% to 2%; thus, those with 150% of FPL would have been required to pay 0% of their income, those with 151% of FPL would have been required to pay 0.04% of their income, and so on. All eligible households with annual incomes at or above 400% of FPL would have been required to spend up to 8.5% of their income (prorated monthly) before receiving any credit. For some higher-income households, this could have resulted in receiving no credit despite being otherwise eligible. Beginning in 2026, the percentages of income used in the credit formula will revert to the percentages established under the ACA, which are annually adjusted through Internal Revenue Service (IRS) guidance.

SLCSP premiums generally vary among households based on factors such as age, family status, and location, and the Required Premium Contribution generally varies based on household income. Therefore, [the PTC likewise varies by similar factors](#).

Workbook Overview and Layout

The 2023 Premium Tax Credit Tool enables users to explore the impact of changes to certain PTC parameters for 2023 on the credit amount for an eligible household. Users can adjust selected parameters of the PTC's statutory formula—specifically the household income percentages (relative to FPL) relating to PTC eligibility and the Required Premium Contribution percentages.

Instructions and notes are provided in the first worksheet of the 2023 Premium Tax Credit Tool. The tool itself can be found in the second worksheet. As users enter information in the tool, a graphic at the bottom of the second worksheet illustrates the credit amount for 2023 over a range of income levels (1) as would have applied in 2023 absent the temporary extension of the ARPA changes to PTC eligibility and amounts, (2) under current law, and (3) under user-generated parameters.

A recorded demonstration of the tool is available to congressional users [here](#).

Credit amounts are displayed for hypothetical households that meet all PTC eligibility criteria, including not being eligible for other subsidized coverage (e.g., Medicare and affordable employer-sponsored insurance). The credit amounts also assume all eligible family members enroll in exchange coverage.

The workbook is password-protected to prevent accidental deletions or other changes to the file.

Data Sources and Methodology

The tool determines PTC amounts using a simplified version of the [IRS Tax Form 8962](#), with certain assumptions being made, as described in the tool. The underlying data come from the following sources:

CRS identified SLCSPs using the [Robert Wood Johnson Foundation \(RWJF\) HIX Compare 2023 Individual Market Dataset](#), updated June 7, 2023. CRS removed non-silver-level plans, off-exchange plans, child-only plans, cost-sharing-reduction variant plans, and non-marketed plans from the dataset before identifying the SLCSP for each rating area.

Geographic areas in the tool cross-walk to rating areas according to the Centers for Medicare & Medicaid Services' [Individual Market Geographic Rating Areas by State](#).

Household income relative to FPL is calculated consistent with [Form 8962 instructions](#).

The “Current Law (2023)” Required Premium Contributions used to calculate the PTC amounts came from [Table 2 in Form 8962 instructions](#). Similarly, CRS determined the Required Premium Contributions as would have applied in 2023 absent the temporary extension of the ARPA changes to the PTC based off the percentages in [IRS Rev. Proc. 2022-34](#), and the “Proposal” Required Premium Contributions based off the user generated percentages.

Updates

This tool was updated on October 8, 2024, to remove non-marketed plans when determining SLCSPs. This resulted in changes to certain SLCSPs, such as those in Connecticut, Georgia, and Ohio.

Author Information

Ryan J. Rosso
Analyst in Health Care Financing

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS’s institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.