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Health Insurance Premium Tax Credit and Cost-Sharing Reductions

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Summary

Certain individuals without access to subsidized health insurance coverage may be eligible for the premium tax credit (PTC). The PTC was established under the Patient Protection and Affordable Care Act (ACA; P.L. 111-148, as amended) and was amended under the American Rescue Plan Act of 2021 (ARPA, P.L. 117-2) and the enacted FY2022 budget reconciliation measure (P.L. 117-169; commonly referred to as the Inflation Reduction Act) to include several temporary provisions. The dollar amount of the PTC varies from individual to individual, based on a formula specified in statute. Individuals who are eligible for the PTC may be required to contribute some amount toward the purchase of private health insurance.

To be eligible to receive the premium tax credit in 2025, individuals must have annual household income at or above 100% of the federal poverty level; not be eligible for certain types of health insurance coverage, with exceptions; file federal income tax returns; and enroll in a plan through an individual exchange. Exchanges (or marketplaces) are not insurance companies; rather, exchanges serve as marketplaces for the purchase of private health insurance.

The PTC is refundable so individuals may claim the full credit amount when filing their taxes, even if they have little or no federal income tax liability. The credit also is advanceable so individuals may choose to receive advanced payments of the credit (or APTC). APTCs are provided on a monthly basis to coincide with the payment of insurance premiums, automatically reducing consumer costs associated with purchasing insurance. The credit is financed through permanent appropriations.

Individuals who receive premium tax credit payments also may be eligible for subsidies that reduce cost-sharing expenses. The ACA established two types of cost-sharing reductions (CSRs). One type of subsidy reduces annual cost-sharing limits; the other directly reduces cost-sharing requirements (e.g., lowers a deductible). Individuals who are eligible for CSRs may receive both types.

The ARPA made temporary changes to the PTC and to CSRs. Of those temporary changes, one provision expanded eligibility for the PTC and increased the credit amount for tax years 2021 and 2022.

The FY2022 budget reconciliation measure extended the ARPA provisions for three additional years to sunset at the end of tax year 2025.

This report describes current law and applicable regulations and guidance, specifically with regard to how the PTC and CSR requirements apply in 2025.

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Temporary Amendments to the Premium Tax Credit

The American Rescue Plan Act of 2021 (ARPA; P.L. 117-2) made temporary changes to the premium tax credit (PTC) and cost-sharing reductions (CSRs). Of those temporary changes, one provision expanded eligibility for and the amount of the PTC for tax years 2021 and 2022.

Other ARPA changes to the PTC and CSRs that have expired include the provisions that

- suspended the requirement, for tax year 2020, that individuals pay back PTC amounts that were provided in excess, and
- expanded eligibility for and the calculation of both the PTC and CSRs for individuals who received unemployment compensation during calendar year 2021.

The FY2022 budget reconciliation measure enacted on August 16, 2022 (P.L. 117-169; commonly referred to as the Inflation Reduction Act) makes temporary changes to the PTC. The measure extends the ARPA provision that expanded eligibility for and the amount of the PTC. It extends this provision for three additional years to sunset at the end of tax year 2025. The enhanced PTC extension under the reconciliation measure, like ARPA, provides full premium subsidies (toward benchmark exchange plans) to PTC-eligible households with annual incomes between 100% and 150% of the federal poverty level (FPL). Eligible individuals and families with higher incomes may receive partial subsidies for such plans. For all eligible households with incomes at or above 400% of FPL, each such household would be required to spend up to 8.5% of their income (prorated monthly) before receiving any credit. For some higher-income households, this results in receiving no credit despite being otherwise eligible.

This report describes current law and applicable regulations and guidance, specifically how the PTC and CSR requirements apply in 2025, and includes historical enrollment and spending data.

Sources: 26 U.S.C. 36B(b)(3)(A)(iii) and (c)(1)(E); and CRS Report R46777, *American Rescue Plan Act of 2021 (P.L. 117-2): Private Health Insurance, Medicaid, CHIP, and Medicare Provisions*.

Background

Certain individuals and families without access to subsidized health insurance coverage may be eligible for a premium tax credit (PTC). This credit applies toward the cost of purchasing specific types of health plans offered by private health insurance companies. It was authorized under the Patient Protection and Affordable Care Act (ACA; P.L. 111-148, as amended) and was amended under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2) and the enacted FY2022 budget reconciliation measure (P.L. 117-169; commonly referred to as the Inflation Reduction Act).[1] Individuals who receive PTC payments also may be eligible for subsidies that reduce cost-sharing expenses.[2]

To be eligible for the PTC and cost-sharing reductions (CSRs), individuals and families must enroll in health plans offered through health insurance exchanges and meet other criteria. Exchanges operate in every state and the District of Columbia (DC).[3] Exchanges are not insurance companies; rather, they are marketplaces that offer private health plans to qualified individuals and small businesses. The ACA specifically requires exchanges to offer insurance options to individuals and to small businesses, so exchanges are structured to assist these two different types of customers. Consequently, each state has one exchange to serve individuals and

[1] §1401 of the Patient Protection and Affordable Care Act (ACA; P.L. 111-148, as amended); new §36B of the Internal Revenue Code of 1986 (IRC); §§9661-9663 of the American Rescue Plan Act of 2021 (ARPA, P.L. 117-2); and §12001 of the enacted FY2022 budget reconciliation measure (P.L. 117-169).

[2] ACA §1402; and new §18071 of the Public Health Service Act (PHSA).

[3] The ACA also gave the territories the option of establishing exchanges, but none elected to do so by the statutory deadline of October 1, 2013. For additional background about the exchanges, see CRS Report R44065, *Overview of Health Insurance Exchanges*.

families (an *individual exchange*) and another to serve small businesses (a *Small Business Health Options Program*, or *SHOP, exchange*).

Health insurance companies that participate in the individual and SHOP exchanges must comply with numerous federal and state requirements. Among such requirements are restrictions related to the determination of premiums for exchange plans (*rating restrictions*). Insurance companies are prohibited from using health factors in determining premiums. However, they are allowed to vary premiums by age (within specified limits), geography, number of individuals enrolling in a plan, and smoking status (within specified limits).[4]

Premium Tax Credit

The dollar amount of the PTC is based on a statutory formula and varies for each individual. Individuals who are eligible for the premium credit generally are required to contribute some amount toward the purchase of their health insurance.

The PTC is refundable so individuals may claim the full credit amount when filing their taxes even if they have little or no federal income tax liability. The credit also is advanceable so individuals may choose to receive the credit in advance of filing taxes and on a monthly basis to coincide with the payment of insurance premiums (technically, advance payments go directly to insurers). Advance payments (or APTC) automatically reduce monthly premiums by the credit amount. Therefore, the direct cost of insurance to an individual or family that is receiving APTC payments generally will be lower than the advertised cost for a given exchange plan. The PTC is financed through a permanent appropriation through Title 31 of the *United States Code*, which provides indefinite budget authority for PTC/APTC disbursements (31 U.S.C. 1324).

Eligibility

To be eligible to receive the PTC, individuals must meet the following criteria:

- file federal income tax returns;
- enroll in a plan through an individual exchange;
- have annual household income at or above 100% of the federal poverty level (FPL)[5] for tax year 2025;[6] and
- *not* be eligible for minimum essential coverage (see the "Not Eligible for Minimum Essential Coverage" section in this report), with exceptions.

These eligibility criteria are discussed in greater detail below.

[4] For additional discussion regarding these rating restrictions, see CRS Report R45146, *Federal Requirements on Private Health Insurance Plans*.

[5] Household income is measured according to the definition for modified adjusted gross income (MAGI); see the "Have Annual Household Income at or Above 100% of the Federal Poverty Level" section of this report. The guidelines that designate the federal poverty level (FPL) are used in various federal programs for eligibility purposes. The poverty guidelines vary by family size and by whether the individual resides in the 48 contiguous states and the District of Columbia, Alaska, or Hawaii. See Office of the Assistant Secretary for Planning and Evaluation, "Frequently Asked Questions Related to the Poverty Guidelines and Poverty," at https://aspe.hhs.gov/frequently-asked-questions-related-poverty-guidelines-and-poverty#programs.

[6] ARPA §9661 expanded eligibility for the premium tax credit (PTC) by temporarily eliminating the phaseout for households with annual incomes above 400% of FPL. Elimination of the phaseout applied to tax years 2021 and 2022 under ARPA. §12001 of the enacted FY2022 budget reconciliation measure (P.L. 117-169) extends the APRA provision through the end of tax year 2025. The phaseout is scheduled to resume beginning in tax year 2026.

File Federal Income Tax Returns

Because premium assistance is provided in the form of a tax credit, such assistance is administered by the Internal Revenue Service (IRS) through the federal tax system. The premium credit process requires qualifying individuals to file federal income tax returns, even if their incomes are at levels that normally do not necessitate the filing of such returns.

Married couples are required to file joint tax returns to claim the premium credit, with some exceptions. The calculation and allocation of credit amounts may differ in the event of a change in tax-filing status during a given year (e.g., individuals who marry or divorce).[7]

Enroll in a Plan Through an Individual Exchange

The PTC is available only to eligible enrollees in plans sold through individual exchanges; this credit is not available through SHOP exchanges. Individuals may enroll in exchange plans if they (1) reside in a state in which an exchange was established; (2) are not incarcerated (except individuals in custody pending the disposition of charges); and (3) are U.S. citizens, U.S. nationals or *lawfully present* residents. [8]

Undocumented individuals (individuals without proper immigration documentation for legal residence) are prohibited from purchasing coverage through an exchange, even if they could pay the entire premium. Because the ACA prohibits undocumented individuals from obtaining exchange coverage, these individuals are not eligible for the PTC. Although certain individuals are not eligible to enroll in exchanges due to incarceration or immigration status, their family members may still receive the PTC as long as those family members meet all eligibility criteria.

Actuarial Value and Metal Plans

Most health plans sold through exchanges established under the ACA are required to meet actuarial value (AV) standards, among other requirements. AV is a summary measure of a plan's generosity, expressed as the percentage of medical expenses estimated to be paid by the insurer for a standard population and set of allowed charges. The higher the percentage, the lower the cost sharing, on average, for the population. AV is not a measure of plan generosity for an enrolled individual or family, nor is it a measure of premiums or benefits packages.

An exchange plan that is subject to the AV standards is given a precious metal designation to help consumers understand the approximate level of coverage (and inversely the cost sharing) they can expect from different plans: platinum (AV of 90%), gold (80%), silver (70%), or bronze (60%).

Generally, enrollment through individual exchanges is restricted to a certain time period: an open enrollment period (OEP). The OEP for exchanges occurs near the end of a given calendar year for enrollment into health plans that begin the following year. Under certain circumstances, individuals may enroll in exchange plans outside of the OEP during a special enrollment period (SEP).[9]

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[7] See IRS, "Health Insurance Premium Tax Credit: Final Regulations," 77 *Federal Register* 30377, May 23, 2012.

[8] The term *lawfully present* was not defined under the ACA, nor was it defined under the federal statute governing U.S. immigration policy, the Immigration and Nationality Act. *Lawfully present* was defined in regulation and includes qualified noncitizens (such as lawful permanent residents, asylees, and refugees), foreign nationals in valid nonimmigrant status, and certain other enumerated noncitizens; see 45 C.F.R. §155.20. For a discussion of immigrant and nonimmigrant groups considered lawfully present for health insurance exchange purposes, see the "Affordable Care Act (ACA) Health Insurance Exchanges" section of CRS Report R47351, *Noncitizens' Access to Health Care*.

[9] For individuals who experience a "triggering event" during the plan year, exchanges are required to provide an SEP to allow such individuals the option of enrolling into an exchange for that plan year. SEP rules are specified at 45 C.F.R. 155.420, at https://www.govinfo.gov/content/pkg/CFR-2013-title45-vol1/xml/CFR-2013-title45-vol1-sec155-420.xml.
(continued...)

Have Annual Household Income at or Above 100% of the Federal Poverty Level

Individuals generally must have household income (based on FPL) that meets a minimum level to be eligible for the PTC in 2025.[10] Household income is measured according to the definition for modified adjusted gross income (MAGI).[11] An individual whose MAGI is at or above 100% of FPL may be eligible to receive the PTC for tax year 2025.[12] **Table 1** displays the income levels equivalent to 100% of FPL, for the location and size of family, that correspond to the eligibility criteria for the PTC in 2025 (using poverty guidelines updated by the Department of Health and Human Services [HHS] for 2024).[13]

Table 1. Minimum Income Levels Applicable to Eligibility for the Premium Tax Credit for 2025, by Selected Family Sizes

(based on 2024 HHS poverty guidelines)

Number of Persons in Family	Income Levels Equivalent to 100% of FPL		
	48 Contiguous States and DC	Alaska	Hawaii
1	$15,060	$18,810	$17,310
2	$20,440	$25,540	$23,500
3	$25,820	$32,270	$29,690
4	$31,200	$39,000	$35,880

Source: Department of Health and Human Services (HHS), "Annual Update of the HHS Poverty Guidelines," 89 *Federal Register* 2961, January 17, 2024, at https://www.govinfo.gov/content/pkg/FR-2024-01-17/pdf/2024-00796.pdf.

Notes: For 2025, the income levels used to calculate premium credit eligibility and amounts are based on 2024 HHS poverty guidelines. The poverty guidelines represent annual incomes for families of different sizes and are updated annually for inflation. FPL = Federal Poverty Level. DC = District of Columbia.

The ACA provides a specific SEP to members of Indian tribes. Such individuals may enroll in an exchange plan and switch exchange plans on a monthly basis. ACA §1311(c)(6)(D).

[10] There are exceptions to the lower bound income threshold at 100% of FPL. One exception relates to the state option under the ACA to expand Medicaid for individuals with income up to 138% of FPL. If a state chooses to undertake the ACA Medicaid expansion (or has already expanded Medicaid above 100% of FPL), eligibility for the premium tax credit would begin above the income level at which Medicaid eligibility ends in such a state. (Note that in states that do not expand Medicaid to at least 100% of FPL, some low-income residents in those states are *ineligible* for both the credit and Medicaid.) Another exception is for lawfully present aliens with incomes below 100% of FPL, who are *not* eligible for Medicaid for the first five years that they are lawfully present. The ACA established §36B(c)(1)(B) of the IRC to allow such lawfully present aliens to be eligible for the credit. Lastly, the final rule on the premium tax credit provided a special rule for credit recipients whose incomes at the end of a given tax year end up being less than 100% of FPL. Such individuals will continue to be considered eligible for the PTC for that tax year.

[11] See CRS Report R43861, *The Use of Modified Adjusted Gross Income (MAGI) in Federal Health Programs*, for background information about the use of MAGI in determining eligibility for the premium tax credit.

[12] ARPA §9661 expanded eligibility for the PTC by temporarily eliminating the phaseout for households with annual incomes above 400% of FPL. Elimination of the phaseout applied to tax years 2021 and 2022 under ARPA. §12001 the enacted FY2022 budget reconciliation measure (P.L. 117-169) extends the APRA provision through the end of tax year 2025. The phaseout would resume beginning in tax year 2026.

[13] The poverty guidelines are updated annually at the beginning of the calendar year. However, premium credit calculations are based on the prior year's guidelines to provide individuals with timely information as they compare and enroll in exchange plans during the OEP (which occurs prior to the beginning of the plan year).

Not Eligible for Minimum Essential Coverage

To be eligible for a premium credit, an individual may *not* be eligible for *minimum essential coverage* (MEC), with exceptions (described below). The ACA broadly defines MEC to include Medicare Part A; Medicare Advantage; Medicaid (with exceptions); the State Children's Health Insurance Program (CHIP); Tricare; Tricare for Life, a health care program administered by the Department of Veterans Affairs; coverage provided through the Peace Corps program; any government plan (local, state, federal), including the Federal Employees Health Benefits Program (FEHBP); any plan offered in the individual health insurance market; any employer-sponsored plan (including group plans regulated by a foreign government); any grandfathered health plan; any qualified health plan offered inside or outside of exchanges; and any other coverage (such as a state high-risk pool) recognized by the HHS Secretary.[14]

However, the ACA provides certain exceptions regarding eligibility for MEC and PTC. Notwithstanding the above MEC restrictions, an individual may be eligible for the credit even if he or she is eligible for any of the following sources of MEC:

- the individual (nongroup) health insurance market;[15]
- an employer-sponsored health plan that is either unaffordable[16] or inadequate;[17] or
- limited benefits under the Medicaid program.[18]

With respect to the exception provided when employer-sponsored plans are unaffordable or inadequate, the Biden Administration promulgated a final rule that clarified implementation of this exception.[19] Under the rule, the eligibility determination process considers family premiums and cost-sharing requirements of employer plans to test for affordability and adequacy of such plans to family members. Under the prior rule,[20] the determination of family eligibility considered costs to the employee only even if the family was seeking coverage (this is referred to colloquially as the "family glitch"). The previous exclusion of family costs in the eligibility determination process resulted in some family members being ineligible for the PTC even when employer coverage is unaffordable to them, because the employee-only cost is determined to be affordable. The previous test of adequacy of family coverage likewise excluded family costs.

Medicaid Expansion

Under the ACA, states have the option to expand Medicaid eligibility to include all nonelderly, nonpregnant individuals with incomes up to 138% of FPL.[21] If an individual who applied for the

[14] See CRS Report R44438, *The Individual Mandate for Health Insurance Coverage: In Brief*.

[15] The private health insurance market continues to exist outside of the ACA exchanges. Moreover, almost all exchange plans may be offered in the market outside of exchanges.

[16] For 2025, if the employee's premium contribution toward the employer's self-only plan exceeds 9.02% of household income, such a plan is considered unaffordable for premium credit eligibility purposes. For additional information, see IRS, Revenue Procedure 2024-35, at https://www.irs.gov/pub/irs-drop/rp-24-35.pdf.

[17] If a plan's actuarial value is less than 60%, the plan is considered inadequate for premium credit eligibility purposes.

[18] Limited benefits under Medicaid include the pregnancy-related benefits package, treatment of emergency medical conditions only, and other limited benefits.

[19] 87 *Federal Register* 61979, October 13, 2022, at https://www.federalregister.gov/documents/2022/10/13/2022-22184/affordability-of-employer-coverage-for-family-members-of-employees.

[20] 77 *Federal Register* 30377, May 23, 2012, at https://www.federalregister.gov/documents/2012/05/23/2012-12421/health-insurance-premium-tax-credit.

[21] See CRS In Focus IF10399, *Overview of the ACA Medicaid Expansion*.

premium credit through an exchange is determined to be eligible for Medicaid, the exchange must enroll that individual in Medicaid instead of an exchange plan. Therefore, in states that implemented the optional Medicaid expansion to include individuals with incomes at or above 100% of FPL (or any state that decided to expand eligibility to individuals irrespective of the ACA's Medicaid expansion provisions), premium credit eligibility begins at the income level at which Medicaid eligibility ends.[22]

Determination of Required Premium Contributions and Premium Tax Credit Amounts

Required Premium Contribution Examples

The amount of the PTC varies from household to household. Calculation of the credit is based on the annual household income (i.e., MAGI) of the individual (and tax dependents), the premium for the exchange plan in which the individual (and any eligible dependents) is enrolled, and other factors.[23] For simplicity's sake, the following formula illustrates the calculation of the credit:

Maximum Credit Amount = Benchmark Plan Premium – Required Premium Contribution

Premiums are allowed to vary based on a few characteristics of the person (or family) seeking health insurance (e.g., family size). For purposes of this report, *Benchmark Plan* premium refers to the premium for the second-lowest-cost silver plan (see text box in the "Eligibility" section of this report) in the person's (or family's) local area. *Required Premium Contribution* refers to the amount that a premium tax credit-eligible individual (or family) may pay toward the exchange premium. The required premium contribution is capped according to household income, with such income measured relative to the federal poverty level (see **Table 1**). As household income increases, the share of income used to determine the required premium contribution also generally increases. The required premium contribution caps typically are updated through IRS guidance on an annual basis. However, the ARPA and the enacted FY2022 budget reconciliation measure temporarily replaced those caps (see **Figure 1**).[24]

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[22] For a discussion concerning the interaction of Medicaid and PTC eligibility, see Medicaid and CHIP Payment and Access Commission, "Background" section in MACPAC, "Transitions Between Medicaid, CHIP, and Exchange Coverage," Issue Brief, July 2022, at https://www.macpac.gov/wp-content/uploads/2022/07/Coverage-transitions-issue-brief.pdf. For recent enrollment trend data across insurance affordability programs, see Centers for Medicare & Medicaid Services (CMS), "Medicaid, CHIP, and Marketplace Enrollments: Enrollment Trends Update," December 18, 2023, at https://www.medicaid.gov/sites/default/files/2023-12/medicaid-unwinding-enroll-trends-snapshot-sep2023.pdf. For a map indicating state adoption of the ACA Medicaid expansion, see Kaiser Family Foundation (KFF), "Status of State Medicaid Expansion Decisions: Interactive Map," February 7, 2024, at https://www.kff.org/affordable-care-act/issue-brief/status-of-state-medicaid-expansion-decisions-interactive-map/. For exchange and PTC data by state, see CMS, "2023 Marketplace Open Enrollment Period Public Use Files," at https://www.cms.gov/data-research/statistics-trends-and-reports/marketplace-products/2023-marketplace-open-enrollment-period-public-use-files.

[23] The PTC calculation uses the benchmark plan premium for the individual or family seeking exchange coverage, as long as such plan only provides coverage for the minimum level of benefits required under applicable federal law (referred to as *essential health benefits* [EHBs]). To the extent that an exchange plan includes benefits beyond EHBs or a state requires exchange plans to provide additional benefits, the portion of the premium attributable to such extra benefits are disregarded for PTC purposes. In other words, the PTC calculation uses the premium amount allocable to EHBs. See 26 U.S.C. 36B(b)(3)(D).

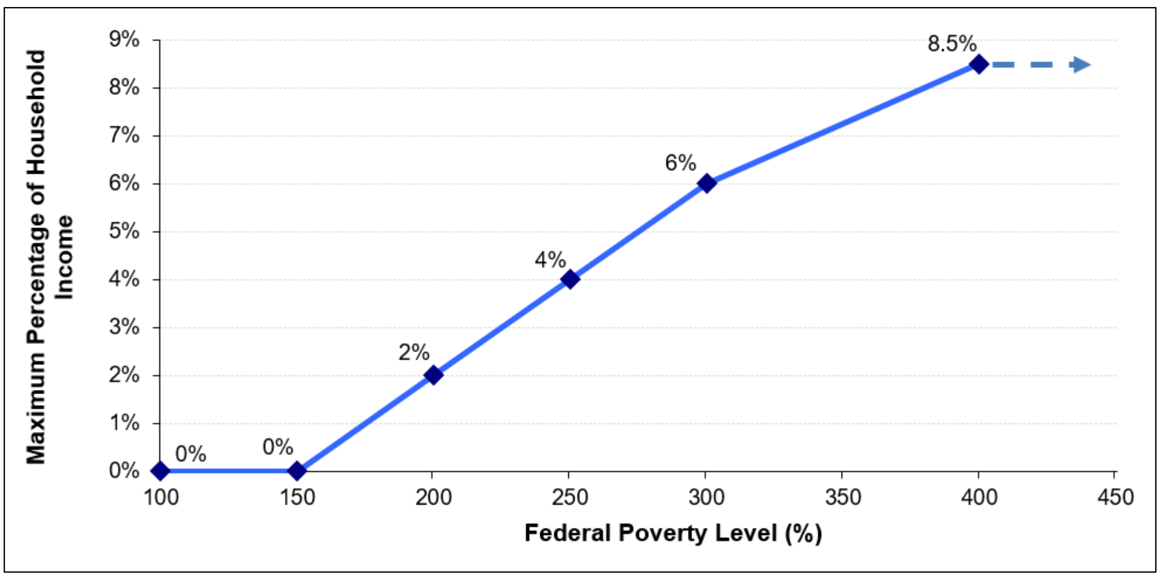
[24] See ARPA §9661. The new percentages applied to the PTC for tax years 2021 and 2022. Under §12001 of the enacted FY2022 budget reconciliation measure (P.L. 117-169), these same percentages apply through the end of tax year 2025. Beginning in tax year 2026, the annual update to these percentages would revert to pre-ARPA statute and applicable IRS guidance.

The maximum amount of the credit for a given individual is calculated as the difference between the premium of the plan in which the individual enrolls and the required contribution. Given that the premium and required contribution vary from person to person, the premium credit amount likewise varies. An extreme example is that when the premium for the benchmark plan is very low, the tax credit may cover the entire premium and the individual may pay nothing toward the premium. The opposite extreme scenario, for some higher-income individuals, is when the required contribution exceeds the premium amount, leading to a credit of zero dollars, meaning the PTC-eligible individual (or family) would pay the entire premium amount.

In 2025, eligible households with annual incomes between 100% and 150% of FPL receive full premium subsidies (toward benchmark plans); eligible individuals with higher incomes may receive partial subsidies for such plans. For all eligible households with annual incomes at or above 400% of FPL, each such household would be required to spend up to 8.5% of their income (prorated monthly) before receiving any credit. For some higher-income households, this results in receiving no credit despite being eligible. Beginning in 2026, the percentages of income used in the credit formula will revert back to the annual adjustment process established under the ACA.

Figure 1. Cap on Required Premium Contributions for Individuals Who Are Eligible for the Premium Tax Credit in 2025

(cap varies by income, as measured relative to the federal poverty level)



Source: 26 U.S.C. 36B(b)(3)(A)(iii).

Notes: The cap assumes that the individual enrolls in the benchmark plan (second-lowest-cost silver plan) used to calculate premium credit amounts. If the individual enrolls in an exchange plan that is more expensive than the benchmark plan, the individual would be responsible for paying any premium amount that exceeds the calculated credit amount. Section 9661 of the American Rescue Plan Act of 2021 (ARPA, P.L. 117-2) applied these percentages to tax years 2021 and 2022. Section 12001 of the enacted FY2022 budget reconciliation measure (P.L. 117-169) extends the APRA provision through the end of tax year 2025.

To illustrate the required premium contribution calculation for 2025, consider a premium tax credit eligible individual living in Lebanon, KS—the geographic center of the continental United States—with household income of $22,590 (150% of FPL, according to applicable regulations). For 2025, such an individual would be required to contribute 0.0% of that income toward the premium for the benchmark plan in his or her local area (see **Figure 1**). In other words, the individual would have a zero-dollar premium if he or she enrolled in the benchmark plan. In contrast, an individual residing in the same area with income of $37,650 (250% of FPL) would be required to contribute 4.0% of his or her income toward the premium for the same plan. The maximum amount this individual would pay for the benchmark plan would be $1,506 (that is, $37,650 x 4.0%) for the year or approximately $126 per month.[25]

A similar calculation is used to determine the required premium contribution for a family. For instance, consider a couple and one child residing in Lebanon, KS, who are eligible for the PTC with household income of $38,730 in 2025. For a family of this size, this income is equivalent to 150% of FPL for premium credit purposes. Just as in the example above of the individual with income at 150% of FPL, this family would be required to contribute 0.0% of its annual income toward the premium for the benchmark plan in its local area. In contrast, a family residing in the same area with income of $64,550 (250% of FPL) would be required to contribute 4.0% of its income toward the premium for the same plan. The maximum amount this family would pay for the benchmark plan would be $2,582 ($64,550 x 4.0%) for the year (approximately $215 per month).[26]

Generally, the arithmetic difference between the premium and the individual's (or family's) required contribution is the tax credit amount provided to the individual (or family). Therefore, factors that affect either the premium or the required contribution (or both) will change the premium credit amount; such factors include age, family size, geographic location, and choice of metal plan.

Reconciliation of Advance Premium Tax Credit Payments

As mentioned previously, an eligible individual (or family) may receive advance payments of the premium credit to coincide with insurance premiums due dates. For such an individual, the advance premium tax credit (APTC) is provided on a monthly basis and the amount is calculated using an *estimate* of income. When an individual files his or her tax return for a given year, the total amount of APTC he or she received in that tax year is reconciled with the amount he or she should have received, based on *actual* income, as determined on the tax return.

If an individual's income *decreased* during the year and he or she should have received a larger tax credit, the additional credit amount will be included in the individual's tax refund for the year or used to reduce the amount of taxes owed. If an individual's income *increased* during the year and he or she received too much in APTC payments, the excess credit amount generally will be repaid in the form of a tax payment.

For individuals with incomes below 400% of FPL, any repayment amount is capped with greater tax relief provided to individuals with lower incomes (see **Table 2**).

Table 2. Annual Repayment Limits of Excess Premium Tax Credit Payments, 2025

Household Income (Expressed as a Percentage of the Federal Poverty Level)	Applicable Dollar Limit for an Unmarried Individual[a]
<200%	$375

[25] For estimates of premium credit amounts based on factors for which insurance companies are allowed to vary premiums (as described in the "Background" section of this report), see KFF, "Health Insurance Marketplace Calculator," at http://kff.org/interactive/subsidy-calculator/.

[26] The family in this hypothetical example illustrates the effect of family size and composition in a number of ways. For example, premiums for a given plan may vary based on the number of family members and whether those family members include adults, children, or both. Also, family size is incorporated into the HHS poverty guidelines. As indicated in **Table 1** of this report, the larger the family, the larger the dollar amount equivalent to the poverty level. Changes in premiums or income level would directly affect the calculation of a given PTC.

Household Income (Expressed as a Percentage of the Federal Poverty Level)	Applicable Dollar Limit for an Unmarried Individual[a]
200% to <300%	$975
300% to <400%	$1,625

Source: IRS, Revenue Procedure 2024-40, at https://www.irs.gov/pub/irs-drop/rp-24-40.pdf.

Notes: The applicable dollar limit for all other tax filers is twice the limit for unmarried individuals.

a. Does not include surviving spouses or heads of households.

Preliminary Tax Credit Data

The IRS has published preliminary data about the PTC in its annual "Statistics of Income" (SOI) reports. The most recently published SOI report is for tax year 2022.[27] The following data provide summary statistics about two overlapping populations: tax households that received APTC, and households that claimed the credit on their individual income tax returns.[28]

Tax Year 2022

For tax year 2022, around 8.6 million tax returns indicated receipt of advance payments of the tax credit totaling to almost $61 billion. Of those 8.6 million returns, approximately 5.1 million tax households received excess advance payments, while more than 2.3 million tax households received deficient advance payments. The remaining difference represents households that received the correct amount in APTC.

The SOI data indicate that approximately 7.9 million tax returns for the 2022 tax year claimed a total of more than $54 billion of tax credit. The 7.9 million returns represent the number of tax households that were actually eligible for the credit, based on the information provided in the 2022 tax returns.[29] These eligible households represent those who received advance payments of the credit and those who claimed the credit after the end of the tax year.[30]

The IRS also has published limited tax credit data by state, county, and zip code.[31]

Enrollment Data

HHS regularly publishes data on persons selecting and enrolling in exchange plans, including individuals who were determined eligible for the PTC. For plan year 2024, HHS posted reports and public-use files available with national enrollment data, as well as limited data by state,

[27] The data represent tax return information at the time of filing; therefore, the data do not incorporate corrections or amendments made to the tax returns at a later time. IRS, "Affordable Care Act Items," Table 2.7, at https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-complete-report-publication-1304-basic-tables-part-2.

[28] The SOI report does not include all estimates of tax credit recipients and claimants necessary to fully describe the overlap of these two taxpayer populations.

[29] The number of taxpayers who received advance payments exceeded the number who were eligible for the credit, indicating that some taxpayers received unauthorized subsidies. The IRS did not include, in the SOI report, an estimate of the number of taxpayers who received unauthorized subsidies.

[30] The IRS did not include, in the SOI report, separate estimates of the number of eligible taxpayers who received advance payments and the number who did not.

[31] See IRS, "ACA Data from Individuals," at https://www.irs.gov/statistics/soi-tax-stats-affordable-care-act-aca-statistics-individual-income-tax-items.

county, and zip code.[32] During the 2024 open enrollment period (OEP), approximately 92% of all exchange enrollees were eligible for the tax credit.[33]

Cost-Sharing Reductions

An individual who qualifies for the PTC, is enrolled in a silver plan (see text box above, "Actuarial Value and Metal Plans"), *and* has annual household income no greater than 250% of FPL is eligible for cost-sharing reductions (CSRs).[34] The purpose of CSRs is to reduce an individual's (or family's) expenses related to cost-sharing requirements under the silver plan; such requirements may include deductibles, co-payments, coinsurance, and annual cost-sharing limits.[35] There are two types of CSRs, and the level of assistance for each varies by income band (see descriptions below). Individuals who are eligible for cost-sharing assistance may receive both types of subsidies, as long as they meet the applicable eligibility requirements.[36]

Reduction in Annual Cost-Sharing Limits

Each metal plan limits the total dollar amount an insured consumer will be required to pay out of pocket for use of covered services in a plan year (referred to as an *annual cost-sharing limit* in this report). In other words, the amount an individual spends in a given year on health care services covered under his or her plan is capped.[37] For 2025, the annual cost-sharing limit for self-only coverage is $9,200; the corresponding limit for family coverage is $18,400.[38] One type of cost-sharing assistance reduces such limits (see **Table 3**). This CSR reduces the annual limit faced by premium credit recipients with incomes up to and including 250% of FPL; greater subsidy amounts are provided to those with lower incomes. In general, this cost-sharing assistance targets individuals and families that use a great deal of health care in a year and, therefore, have high cost-sharing expenses. Enrollees who use little health care may not generate enough cost-sharing expenses to reach the annual limit.

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[32] CMS, "2024 Marketplace Open Enrollment Period Public Use Files," at https://www.cms.gov/data-research/statistics-trends-and-reports/marketplace-products.

[33] See CMS, "Health Insurance Marketplaces 2024 Open Enrollment Report," at https://www.cms.gov/files/document/health-insurance-exchanges-2024-open-enrollment-report-final.pdf.

[34] ACA §1402.

[35] A *deductible* is the amount an insured consumer pays for covered health care services before the applicable insurer begins to pay for such services (with exceptions). *Coinsurance* is a share of costs, expressed as a percentage, an insured consumer pays for a covered health service. A *co-payment* is a fixed dollar amount an insured consumer pays for a covered health service. An *annual cost-sharing limit* is the total dollar amount an insured consumer would be required to pay out of pocket for use of covered services in a plan year. Once an insured consumer's out-of-pocket spending meets this limit, the insurer generally will pay 100% of covered costs for the remainder of the plan year.

[36] In addition to CSRs, the ACA provides special cost-sharing assistance to members of Indian tribes, (i.e., Native Americans and Alaskan Natives), whose household incomes do not exceed 300% of FPL and are enrolled in exchange plans. For such individuals, insurers will eliminate any cost-sharing requirements. ACA §1402(d).

[37] The annual cost-sharing limit applies only to health services that are covered under the health plan and are received within the provider network, if applicable.

[38] See Center for Consumer Information and Insurance Oversight, "Premium Adjustment Percentage, Maximum Annual Limitation on Cost Sharing, Reduced Maximum Annual Limitation on Cost Sharing, and Required Contribution Percentage for the 2025 Benefit Year," November 15, 2023, at https://www.cms.gov/files/document/2025-papi-parameters-guidance-2023-11-15.pdf .

Table 3. ACA Cost-Sharing Reductions: Reduced Annual Cost-Sharing Limits, 2025

Household Income Tier, by Federal Poverty Level	Reduced Annual Cost-Sharing Limits	
	Self-Only Coverage	*Family Coverage*
100% to 150%	$3,050	$6,100
>150% to 200%	$3,050	$6,100
>200% to 250%	$7,350	$14,700

Source: Center for Consumer Information and Insurance Oversight, "Premium Adjustment Percentage, Maximum Annual Limitation on Cost Sharing, Reduced Maximum Annual Limitation on Cost Sharing, and Required Contribution Percentage for the 2025 Benefit Year," November 15, 2023, at https://www.cms.gov/files/document/2025-papi-parameters-guidance-2023-11-15.pdf.

Notes: ACA = Patient Protection and Affordable Care Act (P.L. 111-148, as amended).

For example, consider the hypothetical individual who resides in Lebanon, KS and has household income at 150% of FPL (as discussed in the "Required Premium Contribution Examples" section of this report). A person eligible to receive CSRs at that income level would face an annual cost-sharing limit of $3,050, compared to an annual limit of $9,200 for someone also enrolled in a silver plan but does not receive this subsidy. The practical effect of this reduction would occur when this individual spent up to the reduced amount. For additional covered, in-network services received by the individual, the insurance company would pay the entire cost. Therefore, by reducing the annual cost-sharing limit, eligible individuals are required to spend less before benefitting from this financial assistance.

Reduction in Cost-Sharing Requirements

The second type of CSR also applies to premium credit recipients with incomes up to and including 250% of FPL. For eligible individuals, the cost-sharing requirements (for the plans in which they have enrolled) are reduced to ensure that the plans cover a certain percentage of allowed health care expenses, on average. The practical effect of this CSR is to increase the actuarial value (AV) of the exchange plan in which the person is enrolled (see **Table 4**). In other words, enrollees face lower cost-sharing requirements than they would have without this assistance. Given that this type of CSR directly affects cost-sharing requirements (e.g., lowers a co-payment), both enrollees who use minimal health care and those who use a great deal of services may benefit from this assistance.

Table 4. ACA Cost-Sharing Reductions: Increased Actuarial Values

Household Income Tier, by Federal Poverty Level	New Actuarial Values for Cost-Sharing Subsidy Recipients
100% to150%	94%
>150% to 200%	87%
>200% to 250%	73%

Source: 45 C.F.R. §156.420.

Note: ACA = Patient Protection and Affordable Care Act (P.L. 111-148, as amended).

To be eligible for cost-sharing subsidies, an individual must be enrolled in a silver plan, which already has an AV of 70% (see text box above, "Actuarial Value and Metal Plans"). For an individual who receives the CSR referred to in **Table 4**, the health plan will impose different cost-sharing requirements so that the silver plan will meet the applicable increased AV. The ACA does not specify how a plan should reduce cost-sharing requirements to increase the AV from 70% to one of the higher AVs. Through regulations, HHS requires each insurance company that offers a plan subject to this CSR to develop variations of its silver plan; these silver plan variations must comply with the higher levels of actuarial value (73%, 87%, and 94%).[39] When an individual is determined by an exchange to be eligible for CSRs, the person is enrolled in the silver plan variation that corresponds with his or her income.

Consider the same hypothetical individual discussed in the previous section. Since this person's income is at 150% of FPL, if he or she receives this type of subsidy, the silver plan in which he or she is enrolled will have an AV of 94% (as indicated in **Table 4**), instead of the usual 70% AV for silver plans. Such an increase in the AV has a notable effect on applicable cost-sharing requirements. For example, the benchmark plan in Lebanon, KS, has a deductible of $5,000 in 2025. For an individual whose income allows for enrollment in a silver plan with an AV of 94%, that plan's deductible is $0.[40] Given that a deductible is the amount an insured consumer must pay for covered health services *before* the applicable insurer begins to pay for such services (with exceptions), a lower deductible means the consumer pays less upfront before the insurer begins paying for covered services.

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Disclaimer

[39] See 45 C.F.R. §156.420.

[40] Accessed health plan information on January 28, 2025 using publicly available dataset: HIX Compare, Individual Market data are available at https://hix-compare.org/individual-markets.html.