

TaxNewsFlash

United States



No. 2019-106
March 11, 2019

U.S. Tax Court: Premium tax credit under Affordable Care Act

The U.S. Tax Court today issued an opinion in a case of “first impression” concerning the premium tax credit available under the Affordable Care Act.

The court held that the taxpayer must include in his “modified adjusted gross income” (MAGI) the amount of Social Security benefits that he received in 2014, and held that his adjusted gross income is increased by the amount of Social Security benefits not included in gross income even when his MAGI exceeded the established threshold for premium tax credit eligibility (even by a relatively small amount).

The case is: *Johnson v. Commissioner*, 152 T.C. No. 6 (March 11, 2019). Read the Tax Court’s [opinion](#) [PDF 66 KB]

The Tax Court summarized the case as follows:

- In 2014, the taxpayer received \$4,460 in monthly advance payments of the premium tax credit under the Affordable Care Act.
- The taxpayer’s reported MAGI was within the amount needed to qualify him for the premium tax credit. However, the taxpayer did not include all Social Security benefits received during 2014—including a lump sum attributable to 2013.
- In his amended 2014 federal income tax return, the taxpayer made a section 86(e) election to exclude a portion of the 2013 Social Security benefits received during 2014 from his gross income, and his amended return showed \$1,250 of excess advance payments of the premium tax credit.
- The IRS determined that the excess premium tax credit was the entire amount of \$4,460 because, under section 36B, all of his Social Security benefits received during 2014 (including those relating to 2013) must be included in computing whether he was entitled to the premium tax credit.

The Tax Court agreed with the IRS and held that for purposes of determining a taxpayer's eligibility for the premium tax credit, MAGI includes all Social Security benefits received during the tax year—without regard to the section 86(e) election. The inclusion of all Social Security benefits thus resulted in the taxpayer having MAGI outside of the range for entitlement to the premium tax credit.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)