

GAO Highlights

Highlights of [GAO-15-540](#), a report to the Ranking Member, Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate.

Why GAO Did This Study

Tax year 2014 marked the first time individual taxpayers were required by the Patient Protection and Affordable Care Act (PPACA) to report health care coverage information on their tax returns. Taxpayers reported on whether they had health care coverage, had an exemption from the coverage requirement, or owed a tax penalty (the SRP). Most taxpayers who received coverage through a health insurance marketplace were also eligible for an advance PTC to make their coverage more affordable. Marketplace customers can choose to have the PTC paid in advance to their insurance company or may claim all of the credit when they file their tax returns. GAO was asked to review IRS implementation of the individual shared responsibility and PTC tax provisions.

Among other objectives, this report examines (1) IRS's implementation of these PPACA requirements; and (2) IRS efforts to collaborate with key external stakeholders. To address these objectives, GAO reviewed documents from IRS and CMS; analyzed preliminary 2014 tax year data; and interviewed officials from IRS, CMS, marketplaces and other key external stakeholders, such as tax preparers and tax software companies.

What GAO Recommends

GAO recommendations include that IRS (1) assess whether marketplace data delays are an ongoing problem, (2) assess the reliability of the data for IRS matching, (3) work with CMS to get complete data and track the aggregate gap between advance PTC paid and reported, and (4) evaluate its collaboration efforts. IRS generally agreed with GAO's recommendations.

View [GAO-15-540](#). For more information, contact James R. McTigue, Jr., at (202) 512-9110 or McTigueJ@gao.gov.

July 2015

PATIENT PROTECTION AND AFFORDABLE CARE ACT

IRS Needs to Strengthen Oversight of Tax Provisions for Individuals

What GAO Found

In January 2015, the Internal Revenue Service (IRS) began verifying taxpayers' premium tax credit (PTC) claims using marketplace data on enrollments and advance payments of the PTC. IRS is using its standard examination processes to check the coverage, exemption, or shared responsibility payment (SRP) information taxpayers report. IRS's overall goals are to efficiently and effectively enforce compliance with tax laws, reduce taxpayer burden, and encourage voluntary compliance.

Incomplete and delayed marketplace data limited IRS's ability to match taxpayer PTC claims to marketplace data at the time of return filing. Complete marketplace data for the 2014 coverage year were due to IRS in January, but due to marketplace delays in transmitting the data and IRS technical difficulties with processing the data for matching, as of March 21, 2015, IRS had complete data available for verification of taxpayer PTC claims for 4 of the 51 marketplace states (i.e., the 50 states and the District of Columbia). IRS does not know whether these challenges are a single year or an ongoing problem. According to IRS officials, IRS checks the formatting, but not the accuracy of the data. Although IRS implemented contingency plans to compensate for missing and inaccurate data, those processes were more burdensome for taxpayers. Assessing whether the problems with the timeliness and reliability of the marketplace data are expected to be an ongoing challenge, rather than just a first-year problem, would help IRS understand how it can use the data effectively and better target contingency plans.

IRS does not know the total amount of advance PTC payments made to insurers for 2014 marketplace policies because marketplace data are incomplete. Without this information, IRS does not know the aggregate amount of advance PTC that taxpayers should have reported on 2014 tax returns. Thus, IRS does not know the size of the gap between advance PTC paid and reported or the extent of noncompliance with the requirement for recipients of advance PTC payments to accurately report those payments on their tax return, a measure that could help IRS assess the effectiveness of its education, outreach, and compliance efforts.

Successful implementation of the PTC and individual shared responsibility tax provisions requires IRS collaboration with the Centers for Medicare & Medicaid Services (CMS)—which is responsible for overseeing the marketplaces—and the marketplaces, and communication with other stakeholders, such as tax software companies, employers, and health insurers. IRS worked to collaborate and communicate with external stakeholders to implement PPACA requirements for tax year 2014. However, several external stakeholders GAO spoke with reported challenges with IRS collaboration efforts, such as not receiving certain IRS guidance in time for stakeholders to have complete information at the beginning of the filing season. IRS is evaluating opportunities for improving return processing and the taxpayer experience, but is not evaluating its collaboration efforts. Without an assessment of its efforts to collaborate and communicate with key external stakeholders, challenges in implementing the 2014 PPACA requirements that relied on these groups could also affect new requirements taking effect in 2015, including new information reporting requirements for the State-based Marketplaces, issuers of coverage, and applicable large employers.