



More details about changes for taxpayers who received advance payments of the 2020 Premium Tax Credit

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WASHINGTON — The American Rescue Plan Act of 2021 suspends the requirement that taxpayers increase their tax liability by all or a portion of their excess advance payments of the [Premium Tax Credit](#) (excess APTC) for tax year 2020. A taxpayer's excess APTC is the amount by which the taxpayer's advance payments of the Premium Tax Credit (APTC) exceed his or her Premium Tax Credit (PTC).

The IRS [recently announced](#) that, for tax year 2020, taxpayers with excess APTC for 2020 are not required to file Form 8962, Premium Tax Credit, to reconcile their APTC with the amount of PTC they may claim for 2020. They should not report an excess advance Premium Tax Credit repayment on 2020 Form 1040 or Form 1040-SR, Schedule 2, Line 2, or file Form 8962.

Eligible taxpayers claiming a net Premium Tax Credit (net PTC) must file Form 8962 when they file their 2020 tax return. If the taxpayer's PTC computed on the return is more than the APTC paid on the taxpayer's behalf during the year, the difference is a net PTC. See the [Form 8962, and its instructions](#) for more information.

Understanding how recent legislative changes for the PTC affect individuals and families and their 2020 tax return is important. The IRS developed this fact sheet to explain what taxpayers need to know about claiming a net PTC and what to do if they have excess APTC for tax year 2020.

What is the Premium Tax Credit?

The [Premium Tax Credit](#) helps pay for health insurance coverage bought from the Health Insurance Marketplace. When a taxpayer or a family member of the taxpayer applies for coverage, the Marketplace estimates the amount of the PTC the taxpayer may be able to claim for the year of coverage. This estimate is based on information the taxpayer provides about family size and projected household income.

Eligible taxpayers then choose to have all, some, or none of the estimated credit paid in advance directly to their insurance company on their behalf. These payments – which are called [advance payments of the Premium Tax Credit](#), advance credit payments, or APTC – lower what taxpayers pay out-of-pocket for their monthly premiums.

Alternatively, taxpayers can choose not to get APTC, pay the full amount of their monthly premium, and claim all of the benefit of the PTC that they are allowed when they file their tax return. This will increase their refund or lower the amount of tax they owe.

Taxpayers use [Form 8962, Premium Tax Credit](#), to figure the amount of their PTC and reconcile it with their APTC.

How do taxpayers know that APTC was paid for their coverage?

Taxpayers who enrolled, or enrolled a family member, in health insurance coverage for 2020 through the Marketplace should have received [Form 1095-A, Health Insurance Marketplace Statement](#) from the Marketplace. This form shows the months of coverage and any APTC paid to the taxpayer's insurance company for the coverage.

The Marketplace also notifies the IRS annually that APTC was paid for the coverage of a taxpayer or a member of the taxpayer's family. Prior to the legislative change, the IRS mailed letters to taxpayers for whom APTC was paid but who did not file Form 8962 when they filed their tax return. The letter asks the taxpayer to respond so that the IRS can continue processing the taxpayer's tax return.

What about those who already filed their 2020 tax return?

Taxpayers who have already filed their 2020 tax return and who have excess APTC do not need to file an amended tax return or contact the IRS. Instead, taxpayers should follow the below procedures:

If a taxpayer has excess APTC, filed their return with Form 8962 and it's still being processed: The IRS will reduce the excess advance Premium Tax Credit repayment amount the taxpayer reported on their 2020 Form 1040 or Form 1040-SR, Schedule 2, Line 2, and Line 29 of Form 8962 to zero and process their return. There is no need to contact the IRS. If a taxpayer receives a IRS letter about excess APTC for tax year 2020, they should disregard the letter.

If a taxpayer has excess APTC and filed their return without Form 8962: The individual might have received a letter from the IRS. If they have excess APTC for 2020, they should disregard the IRS letter asking for a missing Form 8962. The IRS will continue processing the 2020 return without Form 8962. If the taxpayer didn't get a letter about a missing Form 8962, the IRS will process the 2020 without Form 8962. If they didn't file a Form 8962 but still reported an excess advance Premium Tax Credit repayment amount on their return, the IRS will reduce it to zero and process the return. There is no need to contact the IRS.

If a taxpayer paid an excess APTC repayment amount when they filed their return with Form 8962: Individuals in this situation should not file an amended tax return to get a refund of this amount. The IRS is taking steps to reimburse taxpayers who filed Form 8962, reported, and paid an excess advance Premium Tax Credit repayment amount with their 2020 tax return before the recent changes made by the American Rescue Plan Act of 2021. Individuals in this situation should not file an amended return solely to get a refund of this amount. The IRS will provide more details soon.

If a taxpayer is claiming net PTC and filed their return without Form 8962: They will receive a letter from the IRS asking for a completed Form 8962. Taxpayers claiming a net PTC must file Form 8962 when they file their 2020 tax return. If they filed a 2020 tax return and claimed a net PTC but did not file Form 8962 with their return, they should respond to the IRS notice they received or will soon receive. The IRS may need more information to process their 2020 return if there's an amount claimed on Form 1040 or 1040-SR, Schedule 3, Line 8. Individuals

are eligible for net PTC for 2020 if their PTC for 2020 is more than the APTC paid for health insurance coverage and the coverage of their family members for 2020, or if they are allowed a PTC for 2020 and were not eligible for APTC, or chose not to receive the benefit of APTC, at enrollment in their health plan for 2020.

If individuals have net PTC for 2020, they should review and respond to the IRS notice so that the IRS can finish processing their 2020 tax return and, if applicable, issue any refund due.

Who should file Form 8962 with their 2020 tax return?

If taxpayers have excess APTC for 2020: They should not file Form 8962 when they file their 2020 tax return and they should not include an amount on Form 1040 or Form 1040-SR, Schedule 2, Line 2. The IRS will process that tax return without Form 8962 and will not add any excess advance Premium Tax Credit repayment amount to the 2020 tax liability. The taxpayer should disregard notices from the IRS asking for a missing Form 8962 if they have excess APTC for tax year 2020.

If individuals are claiming net PTC on Form 1040 or 1040-SR, Schedule 3, Line 8: They must file Form 8962 with their return and report net PTC on Line 26. Taxpayers are eligible to claim net PTC if:

- They are allowed a PTC for 2020 but were not eligible for, or chose not to receive the benefit of, APTC at enrollment in Marketplace coverage for 2020, or
- They received the benefit of APTC for 2020 but their PTC allowed for 2020 is more than the APTC paid on their behalf for 2020.

The IRS needs the information on Form 8962 to process the tax return for taxpayers claiming a net PTC. If they have net PTC and receive a letter asking for more information, they should respond to the notice so that the IRS can finish processing their 2020 tax return and, if applicable, issue any refund due.

How is the net PTC claimed on the tax return?

Eligible taxpayers may claim a PTC for health insurance coverage in a qualified health plan purchased through a Health Insurance Marketplace. Taxpayers use Form 8962 to figure the amount of their PTC and reconcile it with their APTC. This computation lets the taxpayer know whether they have excess APTC or may claim net PTC.

Only taxpayers who enrolled themselves, their spouse if filing a joint return, or a person whom they claim as a dependent, in a qualified health plan through the Marketplace are allowed a PTC. Taxpayers claim the PTC on their federal income tax return. Taxpayers who chose not to get APTC in 2020 and paid the full monthly premium get all of the benefit of the PTC when they claim it on their 2020 tax return.

A taxpayer claiming a PTC for 2020 must reduce their PTC by the amount of APTC paid on their behalf for 2020. This reconciliation is done on Form 8962. If the taxpayer's PTC computed on the return is more than the APTC paid on the taxpayer's behalf during the year, the difference is a net PTC.

Claiming a net PTC will increase the taxpayer's refund or lower the amount of tax he or she owes. Net PTC is reported on Form 1040, Schedule 3, Line 8. Taxpayers claiming a net PTC must file Form 8962 and report an amount on Line 26 of the form when filing their 2020 tax return.