What you need to know about required health insurance coverage for 2014

Beginning in 2014, the individual shared responsibility provision of the Affordable Care Act (ACA) requires you and each member of your family to have qualifying health insurance (called minimum essential coverage), have an exemption, or pay a shared responsibility penalty with your 2014 individual income tax return, Form 1040. Many people already have minimum essential coverage and don't need to do anything more than maintain that coverage.

Do I have minimum essential coverage?

You have minimum essential coverage if you have employer-sponsored coverage, coverage obtained through a Health Insurance Marketplace, or coverage through a government-sponsored program. Coverage under certain other plans will qualify as well. You must maintain this coverage for each month of the calendar year.

Am I eligible for an exemption?

You may be exempt from the requirement to maintain minimum essential coverage if you're a member of certain religious sects, a federally recognized Indian tribe, or a health care sharing ministry. You may also be eligible if you are suffering a hardship, meet certain income criteria, or are uninsured for less than three consecutive months of the year.

Will I have to pay a penalty?

If you or any of your dependents don't have minimum essential coverage or an exemption, you will have to pay an individual shared responsibility penalty with your tax return.

For 2014, the annual shared responsibility penalty is the greater of:

1% of your household income that is above your tax return filing threshold, or

Your family's flat dollar amount, which is $95 per adult and $47.50 per child, limited to a family maximum of $285 for 2014.

However, the maximum amount cannot be more than the cost of the national average premium for a bronze level health plan available through the Marketplace in 2014.

2015 HSA amounts

Health Savings Accounts (HSAs) were created as a tax-favored framework to provide health care benefits mainly for small business owners, the self-employed, and employees of small to medium-size companies who do not have access to health insurance.

The tax benefits of HSAs are quite substantial. Eligible individuals can make tax-deductible (as an adjustment to AGI) contributions into HSA accounts. The funds in the account may be invested (somewhat like an IRA), so there is an opportunity for growth. The earnings inside the HSA are free from federal income tax, and funds withdrawn to pay eligible health care costs are tax-free.

An HSA is a tax-exempt trust or custodial account established exclusively for the purpose of paying qualified medical expenses of the participant who, for the months for which contributions are made to an HSA, is covered under a high-deductible health plan. Consequently, an HSA is not insurance; it is an account, which must be opened with a bank, brokerage firm, or other provider (i.e., insurance company). It is therefore different from a Flexible Spending Account in that it involves an outside provider serving as a custodian or trustee.

The recently released 2015 inflation-adjusted contribution limit for individual self-only coverage under a high-deductible plan is $3,350, while the comparable amount for family coverage is $6,650. For 2015, a high-deductible health plan is defined as a health plan with an annual deductible that is not less than $1,300 for self-only coverage and $2,600 for family coverage, and the annual out-of-pocket expenses (including deductibles and copayments, but not premiums) must not exceed $6,450 for self-only coverage or $12,900 for family coverage.