



# Cost-Sharing Reduction and the Premium Tax Credit



## LET'S START A CONVERSATION

We'd love to meet you, talk about your financial goals, and see if we're the right fit to help you get there.

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### Cost-Sharing Reduction

#### Eligibility

A cost-sharing reduction is a discount that lowers the amount you have to pay for deductibles, copayments, and coinsurance. The reduction applies to individuals and households between 100% and 250% of the federal poverty level (FPL). Cost-sharing reductions only apply to health plans in the Silver category.

#### How to Apply

After you fill out a Marketplace application and provide household and income information, you will find out if you qualify for cost-sharing reductions. Check your Eligibility Determination Notice after applying. If you qualify and enroll in a Silver plan, you will automatically get a version of the plan with lower deductibles, copayments, and coinsurance.

**Note:** A cost-sharing reduction is not a tax credit and does not need to be reported when filing your federal income tax return.

#### Reduction Amount

Cost-sharing reductions are based on your household income level and increase the percentage of covered benefits the plan will pay for. Without a cost-sharing reduction, Silver plans cover an average of 70% of the total cost of covered benefits.

Household Income (Expressed as a Percent of Poverty Level)	Average Cost the Silver Plan Will Cover
100% to 150%	94%
151% to 200%	87%
201% to 250%	73%

### Premium Tax Credit

While the cost-sharing subsidies only apply to Silver plans, you can use a Premium Tax Credit (PTC) for a plan in any metal category. The credit can lower the cost of monthly insurance premiums when you enroll through the Marketplace.

**Note:** Catastrophic plans are not eligible for the PTC, regardless of income.

#### Eligibility

For 2025 you may qualify even if your household income exceeds 400% of the FPL for your family size. Other criteria for qualifying for the PTC include:

- You purchase a Bronze, Silver, Gold, or Platinum health insurance plan through the Marketplace,
- You are not eligible for affordable coverage through your employer,
- You are not eligible for coverage through a government program, such as Medicaid, Medicare, CHIP, or TRICARE,
- If you are married, you file a joint tax return, and
- No one can claim you as a dependent on their tax return.

#### How to Apply

You will find out if you qualify for a PTC when you apply for coverage through the Marketplace. You can get advance payments of the credit that can lower the amount you pay for your monthly insurance premiums and/or claim a credit on your federal income tax return.

#### Federal Income Tax Return

The Marketplace uses an estimate of income to calculate advance payments of the PTC. If you use more advance payments than you qualify for based on your final yearly income, you must repay the difference when you file your federal income tax return. If you use less PTC than you qualify



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for, you will get the difference as a credit when you file your tax return. See *Repayment*, later.

**Note:** Make sure to notify the Marketplace if your circumstances change during the year to avoid having to repay all or part of the credit when you file your tax return.

### Credit Amount

The credit amount is the difference between your household's required contribution and the second lowest cost Silver plan available to each member of your household. The second lowest cost Silver plan can be found on the Marketplace websites. The required contribution is the amount you would pay for insurance premiums for the second lowest cost Silver plan after factoring in the PTC.

Household Income (Expressed as a Percent of Poverty Level)	Required Contribution (Percentage of Household Income)
Less than 133%	0.00%
133% to 149%	0.00%
150% to 199%	0.00% to 2.00%
200% to 249%	2.00% to 4.00%
250% to 299%	4.00% to 6.00%
300% to 399%	6.00% to 8.50%
400% and higher	8.50%

**Required contribution.** Zero percent means you pay 0% of your household income for premiums after receiving the PTC as the credit covers the entire cost of health insurance. If your household income is at 400% or above the federal poverty line, you pay no more than 8.5% of your household income for the cost of health insurance after receiving the PTC.

**Note:** If you live in a state that has not expanded Medicaid, your income is below the federal poverty level, and you don't qualify for Medicaid under your state's current rules, you won't qualify for cost-sharing reductions or the PTC. Those savings through the Marketplace are only available to people with household income at least 100% of the federal poverty level.

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### Federal Poverty Level (FPL)

2024 Federal Poverty Level used for the 2025 Form 8962, *Premium Tax Credit*.

Persons in Family	FPL for 48 Contiguous States and D.C.	FPL for Alaska	FPL for 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
5	\$36,580	\$45,730	\$42,070
6	\$41,960	\$52,460	\$48,260
7	\$47,340	\$59,190	\$54,450
8	\$52,720	\$65,920	\$60,640
More than 8	Add \$5,380 per additional person	Add \$6,730 per additional person	Add \$6,190 per additional person

Source: <https://aspe.hhs.gov/poverty-guidelines>

### Repayment

Any advance payment of the PTC is reported on Form 1095-A and each year the amount of advance PTC you receive is reconciled with your allowable PTC. If your advance PTC exceeds your allowable PTC, the excess is treated as an additional tax on your return and you will have a repayment of the excess amount. If your advance PTC is less than your allowable PTC, the remainder is treated as a refundable credit on your return.

**Repayment limitation.** Any increase in your tax due to repayment of advance PTC is limited to the following amounts.

### Repayment Limitation—2025

If household income is:	The repayment limitation is:	
	Single	Any other filing status
Less than 200% FPL	\$375	\$750
At least 200% but less than 300% FPL	\$975	\$1,950
At least 300% but less than 400% FPL	\$1,625	\$3,250
400% FPL or more	No limit	No limit

## Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.