

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.  
(Also §§ 36B, 5000A, 1.36B-2, 1.36B-2T, 1.36B-3, 1.36B-3T, 1.5000A-3.)

Rev. Proc. 2014-37

## SECTION 1. PURPOSE

This revenue procedure provides indexing adjustments for certain provisions under sections 36B and 5000A of the Internal Revenue Code. In particular, it updates the Applicable Percentage Table in § 36B(b)(3)(A)(i). This table is used to calculate an individual's premium tax credit for taxable years beginning after calendar year 2014.

This revenue procedure also updates the required contribution percentage in § 36B(c)(2)(C)(i)(II), which is used to determine whether an individual is eligible for affordable employer-sponsored minimum essential coverage under § 36B for plan years beginning after calendar year 2014. Additionally, this revenue procedure cross-references the required contribution percentage under § 5000A(e)(1)(A) for plan years beginning after calendar year 2014, as determined under guidance issued by the Department of Health and Human Services. This percentage is used to determine whether an individual is eligible for an exemption from the individual shared responsibility payment because of a lack of affordable minimum essential coverage.

## SECTION 2. BACKGROUND

.01 Under § 36B(a), certain taxpayers are allowed a refundable premium tax credit to help individuals and families afford health insurance purchased through an Exchange.

.02 Section 36B(b)(2) provides that a taxpayer's premium tax credit is the lesser of the premiums for the plan or plans in which the taxpayer or one or more members of the taxpayer's family enroll and the excess of the premiums for the applicable second lowest cost silver plan covering the taxpayer's family, sometimes called the benchmark plan, over the taxpayer's contribution amount. A taxpayer's contribution amount is the product of the taxpayer's household income and an applicable percentage that increases as the taxpayer's household income increases. The applicable percentage is determined under rules specified in § 36B(b)(3)(A)(i).

.03 Taxpayers must use the percentage table in § 36B(b)(3)(A)(i) to compute their applicable percentages. Section 36B(b)(3)(A)(ii) provides that, for taxable years beginning in 2015, the percentages in the table under § 36B(b)(3)(A)(i) must be adjusted to reflect the excess of the rate of premium growth over the rate of income growth for the preceding calendar year.

.04 Section 36B(c)(2)(B) provides that a coverage month does not include any month with respect to an individual if for such month the individual is eligible for minimum essential coverage other than eligibility for coverage in the individual market described in § 5000A(f)(1)(C). Under § 36B(c)(2)(C), an individual is not treated as eligible for employer-sponsored minimum essential coverage if the required contribution with respect to the plan exceeds 9.5 percent (the Section 36B Required Contribution Percentage) of the applicable taxpayer's household income. Section 36B(c)(2)(C)(iv)

provides that, for plan years beginning in 2015, the Section 36B Required Contribution Percentage is updated in the same manner that the applicable percentage is adjusted under § 36B(b)(3)(A)(ii).

.05 Temporary and final regulations released on July 24, 2014, (T.D. 9683) provide that the percentages in the Applicable Percentage Table and the Section 36B Required Contribution Percentage will be updated by the ratio of premium growth in the preceding calendar year to income growth in the preceding calendar year. See §§ 1.36B-2T(c)(3)(v)(C), and 1.36B-3T(g)(1) of the temporary Income Tax Regulations.

.06 Sections 1.36B-2T(c)(3)(v)(C) and 1.36B-3T(g)(1) further provide that the percentages in the Applicable Percentage Table and the Section 36B Required Contribution Percentage may be further adjusted to reflect updates to the data used to compute the ratio of premium growth to income growth for the 2014 calendar year or updates to the data sources used to compute the ratio of premium growth to income growth.

.07 Starting in 2014, § 5000A provides for each individual to have minimum essential coverage for each month, qualify for an exemption, or make a payment (the individual shared responsibility payment) when filing his or her federal income tax return.

.08 Section 5000A(e)(1)(A) provides that an individual is exempt from § 5000A for a month if the individual's required contribution for minimum essential coverage exceeds 8 percent (the Section 5000A required contribution percentage) of the individual's household income. Section 5000A(e)(1)(D) provides that, for plan years beginning after 2014, the Section 5000A required contribution percentage is the percentage the Secretary of Health and Human Services determines reflects the excess of the rate of

premium growth between the preceding calendar year and 2013 over the rate of income growth for that period.

### SECTION 3. DEFINITIONS

.01 *Premium Growth for the Preceding Calendar Year* means the quotient determined by dividing the projected per enrollee spending for employer-sponsored private health insurance for the preceding calendar year by the projected per enrollee spending for employer-sponsored private health insurance for the calendar year two years prior. The projections are the National Health Expenditure Projections published by the Centers for Medicare and Medicaid Services Office of the Actuary.

.02 *Income Growth for the Preceding Calendar Year* means the quotient determined by dividing the projected GDP per capita for the preceding calendar year by projected GDP per capita for the calendar year two years prior. The projections are the National Health Expenditure Projections published by the Centers for Medicare and Medicaid Services Office of the Actuary.

.03 *Adjustment Ratio* means the quotient determined by dividing (1) the premium growth for the preceding calendar year by (2) the income growth for the preceding calendar year.

.04 *Applicable Percentage Table* means the table provided for in § 36B(b)(3)(A)(i).

.05 *Section 36B Required Contribution Percentage* means the percentage provided for in § 36B(c)(2)(C)(i)(II).

.06 *Preceding Year Applicable Percentage Table* means (1) the preceding calendar year's Applicable Percentage Table as calculated pursuant to this revenue procedure,

or (2) for the 2015 calendar year, the Applicable Percentage Table provided in § 36B(b)(3)(A)(i) and § 1.36B-3T(g).

*.07 Preceding Year Section 36B Required Contribution Percentage* means (1) the preceding calendar year's Section 36B Required Contribution Percentage as calculated pursuant to this revenue procedure, or (2) for the 2015 calendar year, the required contribution percentage provided in § 36B(c)(2)(C)(i)(II) and § 1.36B-2T(c)(3)(v)(C).

#### SECTION 4. ADJUSTMENT METHODOLOGY

The Applicable Percentage Table is adjusted annually by multiplying each premium percentage in the Preceding Year Applicable Percentage Table by the Adjustment Ratio. The Section 36B Required Contribution Percentage is adjusted annually by multiplying the Preceding Year Section 36B Required Contribution Percentage by the Adjustment Ratio. The Applicable Percentage Table and the Section 36B Required Contribution Percentage calculated under this revenue procedure are rounded to hundredths of a percentage point.

The Applicable Percentage Table and the Section 36B Required Contribution Percentage may be further adjusted to reflect updates to the data used to compute the ratio of premium growth to income growth for the 2014 calendar year or updates to the data sources used to compute the ratio of premium growth to income growth.

#### SECTION 5. ADJUSTED ITEMS

*.01 Applicable Percentage Table for 2015.* For taxable years beginning in 2015, the Applicable Percentage Table for purposes of § 36B(b)(3)(A)(i) and § 1.36B-3T(g) is:

Household income percentage of Federal poverty line:	Initial percentage	Final percentage
Less than 133%	2.01%	2.01%

At least 133% but less than 150%	3.02%	4.02%
At least 150% but less than 200%	4.02%	6.34%
At least 200% but less than 250%	6.34%	8.10%
At least 250% but less than 300%	8.10%	9.56%
At least 300% but not more than 400%	9.56%	9.56%

*.02 Section 36B Required Contribution Percentage for 2015.* For plan years beginning in 2015, the required contribution percentage for purposes of § 36B(c)(2)(C)(i)(II) and § 1.36B-2T(c)(3)(v)(C) is 9.56%.

*.03 Section 5000A Required Contribution Percentage.* As specified in the Market Standards for 2015 and Beyond final rule, 79 Fed. Reg. 30240 (May 27, 2014), for plan years beginning in 2015, the Section 5000A required contribution percentage for purposes of § 5000A(e)(1)(A) and § 1.5000A-3(e)(2) is 8.05%.

## SECTION 6. EFFECTIVE DATE

This revenue procedure is effective for taxable years and plan years beginning after December 31, 2014.

## SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Arvind Ravichandran of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Mr. Ravichandran at (202) 317-4718 (not a toll-free call).