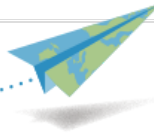


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5 Things Expats Need to Know About 'Obamacare'

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AFFORDABLE CARE ACT EXPAT EXPATRIATE HEALTH CARE OBAMACARE



By DAVID MCKEEGAN



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Tax adviser David McKeegan of [Greenback Expat Tax Services](#) says expats can't simply ignore U.S. requirements for health insurance. Here is his advice:

According to a [recent survey of expats](#) conducted by my company, awareness of "Obamacare" is high but understanding of its impact is not. While 95% of respondents have heard of Obamacare, 30% weren't sure how or if they would be affected by it. These five facts about Obamacare may surprise you.

1) Obamacare isn't the official name.

The official name of Obamacare is the Patient Protection and Affordable Care Act. It was designed to ensure that every American has suitable health-care coverage. The controversial part of the act is that those who don't hold the "minimum essential coverage" will be assessed a penalty (referred to as an "individual shared responsibility payment") on their federal tax return.

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2) You aren't automatically exempt just because you live outside the U.S.

The good news is that *most* U.S. expats will be exempt from Obamacare—but it's not a given. If you qualify for the **Foreign Earned Income Exclusion** by either the **Physical Presence test** or the **Bona Fide Residence test**, you are exempt. Note that you don't actually have to *use* the Foreign Earned Income Exclusion—you simply have to qualify for it by being physically present inside a foreign country for 330 of any 365-day period.

One other way to gain an exemption is by holding a qualifying U.S. expatriate health care plan. The **Centers for Medicare and Medicaid Services** note that while these plans have been declared exempt from the act's provisions until December 2015, this will be re-evaluated for 2016 and beyond.

3) Claiming the exemption is simple.

If you are exempt from Obamacare, you will need to file yet another expat tax form—**Form 8965**. But rest assured, it's a very easy form to complete.

It doesn't appear that insurance companies are currently providing the IRS with data on their covered individuals, so reporting is on the "honor system" right now. If you are exempt, this is simple: submit Form 8965 and no further action is required.

4) Some expats will be forced to pay a penalty tax.

Unfortunately, expats who aren't overseas long enough to qualify for the Foreign Earned Income Exclusion will be required to comply with the provisions of Obamacare—which is hard to do since you can't enroll in a U.S. health plan if you don't have a U.S. address.

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So for those expats who are subject to the tax, here is what you can expect:

For the 2014 tax year you will pay the GREATER OF:

1% of your household income that is above the tax return filing threshold for your filing status, OR,

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

Your penalty amount is capped at the cost of the national average premium for a bronze level health plan available through the **Healthcare.gov Marketplace** in 2014. For 2014, the annual national average premium for a bronze level health plan available through the Marketplace is \$2,448 per individual (\$204 per month per individual), but \$12,240 for a family with five or more members (\$1,020 per month for a family with five or more members).

Remember that if you are facing a significant penalty and know you will qualify for the Foreign Earned Income Exclusion in the near future, you can file an extension on your federal tax return to avoid the penalty. In addition, filing that extension may also reduce your overall U.S. tax liability, as the Foreign Earned Income Exclusion is a very common way for expats to offset their U.S. taxes.

5) You are allowed a short gap in coverage every year—penalty free.

You are allowed one short-term, continuous coverage gap of less than 3 months each year. In other words, you are exempt for two full months, but need to have coverage for at least one day of the third month. (You are considered covered for the entire month so long as you have coverage for at least one day.)

And one more thing to note: Returning to the U.S. from another country is considered a "qualifying event," which allows you 60 days to enroll in a plan through the Marketplace, even if it is outside Obamacare's open enrollment period. The Marketplace offers reduced-rate health-care plans for those who qualify based on their gross income, so if you are looking for a good deal on insurance when you return to the U.S., plan to find one within your 60 day grace period for the best rates.

*David McKeegan is co-founder of **Greenback Expat Tax Services**, which specializes in the expert preparation of U.S. federal tax returns for Americans living abroad. His previous articles for WSJ Expat include: [Opinion: U.S. Expats Could Make a Difference in 2016 Presidential Race](#), [How Expat Business Travel to the U.S. Can Cost You Big Time](#) and [Do's and Don'ts of Buying & Selling Foreign Property as a U.S. Expat: Ask an Expert](#).*

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