

Will the IRS Issue an Individual Mandate Penalty for a Short Gap in Health Insurance Coverage?

By Emily Tonkovich

Note: the Individual Mandate Penalty and individual exemption discussed in this article applies to individuals, NOT employers.

Under the Affordable Care Act, individuals are required to have medical insurance coverage. Those who fail to obtain medical insurance may be subject to an individual tax penalty. However, individuals who experience only a short gap in medical insurance coverage, for example, while between jobs, may be exempt from the tax penalty.

Here's how the *individual* exemption for a short gap in medical insurance coverage works:

- If the gap in coverage is for two consecutive months or less, the short gap in coverage exemption may apply.
 - ◊ For example, if you did not have coverage during January or February but had coverage for the rest of the year, you will not be subject to the tax penalty.
- For the purpose of the *individual mandate*, having coverage for one day or more during a month is counted as having coverage for the entire month.
 - ◊ For example, if you had a gap in coverage from January 2nd – April 10th, the IRS will consider you to have had coverage for the months of January and April and a gap in coverage only for the months of February and March. Therefore, you will still qualify for the exemption.
- If the gap in coverage is for three months or more, the exemption doesn't apply for any of those months.
 - ◊ For example, if you did not have coverage during January, February, or March, you can't claim the short gap in coverage exemption at all.
- If there is a consecutive coverage gap that crosses calendar years, then the months without coverage during the first tax year are counted for the exemption for the second tax year.
 - ◊ For example, if you did not have coverage in November and December of 2015 and January of 2016, you will be eligible for the exemption in 2015. But for 2016 you will not be eligible for the exemption.
- If there are two or more gaps in coverage, only the months of the first coverage gap can qualify for the exemption. It does not matter if both gaps are less than three months.
 - ◊ For example, if you did not have coverage for January, June, and July, you can only claim the exemption only for January.

Keep in mind, there are consequences beyond a tax penalty associated with forgoing medical insurance. An unexpected medical emergency can result in financially devastating medical bills for someone who is uninsured. Purchasing an individual plan or enrolling in COBRA, if available, is a good option.

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