



Understanding Enhanced Premium Tax Credits (ePTCs)

Center Forward Basics

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Baseline

The original **Premium Tax Credit (PTC)** is an advanceable refundable tax credit designed to help eligible individuals and families afford health insurance purchased through the **Health Insurance Marketplace**. Established under the Affordable Care Act (ACA), the PTC has undergone significant enhancements to increase accessibility and affordability of health coverage. The goal has been to ensure more Americans have access to quality healthcare by reducing the cost of monthly insurance premiums. Since its inception, the program has evolved through legislative updates, expanding eligibility, and increasing subsidies, making it one of the key mechanisms for maintaining broad health coverage in the U.S.

In this Basic, we examine the enhanced version of the tax credit, who is eligible to receive it, and how its alteration or elimination would affect patients and market dynamics.

Evolution of the Premium Tax Credit

The initially introduced PTC aimed to assist individuals and families with low to moderate incomes. Eligibility for the credit was limited to those with household incomes between 100% and 400% of the **Federal Poverty Level (FPL)**. This range aimed to capture those without employer-sponsored coverage yet above Medicaid eligibility. These credits were structured to cap the percentage of household income spent on premiums, making coverage more affordable across income levels.

In response to the economic challenges exacerbated by the COVID-19 pandemic, the **American Rescue Plan Act (ARPA) of 2021** introduced **Enhanced Premium Tax Credits (ePTCs)** as a temporary measure to provide further financial relief. ARPA capped benchmark premiums at 8.5% of income for individuals and families earning above 400%, allowing more middle-income individuals and families to qualify for financial assistance. Additionally, the law increased the subsidy amounts, reducing the percentage of household income required for premium contributions. This expansion of federal funding meant more Americans could enroll in high-quality Marketplace plans at a significantly reduced cost or, in some cases, at no cost for lower-income households.

ARPA changes were set to expire at the end of 2022. However, recognizing the positive impact of these enhancements, Congress passed the **Inflation Reduction Act (IRA) of 2022**, extending the ARPA enhancements through 2025. This extension has allowed millions of Americans (13 million in 2023) to continue benefiting from lower premium costs, expanded eligibility, and more

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Key Definitions:

- **Premium Tax Credit (PTC):** A federal tax credit helping individuals and families afford health insurance purchases through the Health Insurance Marketplace
- **Enhanced Premium Tax Credit (ePTC):** Temporary expansion of the PTC eliminating the upper income eligibility limit and increasing subsidies, introduced under ARPA and extended under the IRA
- **Federal Poverty Level (FPL):** A measure of income issued annually by the Department of Health and Human Services used to determine eligibility for federal assistance programs
- **Marketplace:** The federal and state-run insurance exchanges where individuals can obtain health insurance plans under the ACA
- **American Rescue Plan Act (ARPA):** A 2021 law

stable insurance markets. However, the expanded credits expire at the end of 2025 without further legislative action, potentially reversing these gains.

Eligibility Criteria

To qualify for the PTC, individuals must meet specific eligibility requirements. First, household income must be at least 100% of the Federal Poverty Level (FPL), or 138% in expanded Medicaid states, and under standard ACA rules (before ARPA and IRA enhancements), eligibility was capped at 400% FPL. However, with the current enhancements in place, individuals and families earning above this threshold can still qualify for financial assistance if the benchmark premium exceeds 8.5% of their income. Additionally, applicants must be enrolled in a qualified health plan through the Health Insurance Marketplace and must not be eligible for other forms of minimum essential coverage, such as employer-sponsored plans, Medicaid, or Medicare. These requirements ensure the subsidies target individuals who lack access to other affordable insurance options.

Feature	APTC (Original ACA Tax Credit)	Enhanced PTC (Current Law under IRA & ARPA)
Income Cap	Available for incomes between 100% and 400% of the Federal Poverty Level (FPL)	Removes the 400% FPL cap, allowing middle-income individuals to qualify
Subsidy Amount	Based on a sliding scale; lower-income enrollees receive larger subsidies	Lowers the percentage of income required to purchase a benchmark Silver plan
Zero-Premium Plans	No enrollee is eligible for zero-premium benchmark plans	Those earning up to 150% FPL qualify for \$0 premium Silver benchmark plans (second-lowest-cost Silver plans)
Expiration Date	Permanent under the ACA	Set to expire after 2025, unless Congress extends it

Impact of Enhanced Premium Tax Credits

Implementing Enhanced Premium Tax Credits (ePTCs) has led to several significant effects on consumers and the health insurance market. Enrollment in Marketplace plans has increased as more individuals and families find coverage affordable due to expanded eligibility and larger subsidies. The affordability improvements have been particularly notable for those earning just above the previous 400% FPL threshold, who previously faced high premiums without financial assistance. By lowering premium costs, ePTCs have helped reduce the number of uninsured Americans, particularly in middle-income brackets.

Beyond individual affordability, the expansion of PTCs has also contributed to market stability. Higher enrollment levels help create a more balanced risk pool, spreading costs more evenly between healthier and higher-risk individuals. This helps prevent adverse selection, where only those with more significant medical needs enroll, driving up costs for everyone. Additionally, ePTCs have ensured insurers continue participating in the Marketplace, fostering competition and offering patients a wider selection of plans. If the ePTCs expire in 2025, average premiums could increase by 53%.

temporarily expanded PTCs to increase affordability and eligibility

- **Inflation Reduction Act (IRA):** A 2022 law extending ePTCs through 2025

Key Statistics:

- 13 million people benefited from ePTCs in 2023
- If ePTCs expire in 2025, average premiums could increase by 53%
- 40% of cancer survivors say they would not be able to afford insurance without ePTCs
- The introduction of the ePTCs led to an additional 5 million in enrollment
- There is a total enrollment of 19.3 million
- Expiration of ePTCs could lead to an enrollment decline of 7.2 million and 4 million becoming uninsured
- 86% of enrolled benefitting from ePTCs say it would be difficult to get the care without them
- Farm states have an average decline of 25% of the uninsurance rate since 2014

Future Considerations

The future of the ePTCs remains uncertain as the current Inflation Reduction Act (IRA) extension is set to expire at the end of 2025. If Congress does not take action to renew or make these enhancements permanent, the subsidy structure will revert to pre-ARPA levels. This would reintroduce the 400% FPL eligibility cap, making millions of middle-income Americans ineligible for premium assistance and potentially leading to significant premium increases for those currently benefiting from the enhanced subsidies. Kaiser Family Foundation offers [congressional](#) district-specific information on ePTCs.

The expiration of ePTCs could also lead to coverage losses, particularly for individuals who would no longer find health insurance affordable without additional financial assistance. Analysts predict that, without congressional action, Marketplace enrollment could decline, increasing the number of uninsured individuals and leading to financial strain on healthcare providers who would serve more uninsured patients. Additionally, uncertainty around the future of these subsidies creates instability in the insurance market, making it harder for insurers to set competitive rates and plan long-term offerings.

Conclusion

The Enhanced Premium Tax Credits (ePTCs) have played a crucial role in expanding access to affordable health coverage in the United States. By increasing subsidy amounts and removing the income cap, these enhancements have made health insurance more affordable for millions of Americans while also contributing to a more stable insurance marketplace. However, with their scheduled expiration in 2025, the future of ePTCs remains a critical debate. Policymakers must weigh the benefits of maintaining these expanded credits against the potential consequences of allowing them to lapse. As Congress considers the next steps, the outcome will have far-reaching implications for health coverage affordability, insurance market stability, and the overall well-being of American families.

Links to Other Resources

- American Cancer Society Cancer Action Network: [ACA Enhanced Tax Credits Fact Sheet](#)
- American Cancer Society Cancer Action Network: [Cancer Survivor Views Survey on ACA Enhanced Tax Credits](#)
- Center on Budget and Policy Priorities: [Premium Tax Credit Improvements Must Be Extended to Prevent Steep Rise in Healthcare Costs](#)
- Centers for Medicare and Medicaid Services: [Inflation Reduction Act and Medicare](#)
- Commonwealth Fund: [If Federal Premium Tax Credits Expire, State Affordability Programs Won't be Enough to Stem Widespread Coverage Losses](#)
- Congress.gov: [H.R.5376 The Inflation Reduction Act of 2022](#)
- Congressional Research Service: [Enhanced Premium Tax Credit Expiration FAQs](#)
- IRS: [The Premium Tax Credits](#)
- IRS: [Eligibility for the Premium Tax Credit](#)
- Kaiser Family Foundation: [District-by-District eAPTC Map](#)
- Keep Americans Covered: [eAPTC State Specific Data](#)
- Robert Wood Johnson Foundation: [Health Insurance Coverage in Farm Country](#)
- Urban Institute: [Who Benefits From Enhanced Premium Tax Credits in the Marketplace](#)