

CHARLES E. GRASSLEY, IOWA, CHAIRMAN

ORRIN G. HATCH, UTAH  
JEFF SESSIONS, ALABAMA  
LINDSEY O. GRAHAM, SOUTH CAROLINA  
JOHN CORNYN, TEXAS  
MICHAEL S. LEE, UTAH  
TED CRUZ, TEXAS  
JEFF FLAKE, ARIZONA  
DAVID VITTER, LOUISIANA  
DAVID A. PERDUE, GEORGIA  
THOM TILLIS, NORTH CAROLINA

PATRICK J. LEAHY, VERMONT  
DIANNE FEINSTEIN, CALIFORNIA  
CHARLES E. SCHUMER, NEW YORK  
RICHARD J. DURBIN, ILLINOIS  
SHELDON WHITEHOUSE, RHODE ISLAND  
AMY KLOBUCHAR, MINNESOTA  
AL FRANKEN, MINNESOTA  
CHRISTOPHER A. COONS, DELAWARE  
RICHARD BLUMENTHAL, CONNECTICUT

**United States Senate**

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

KOLAN L. DAVIS, *Chief Counsel and Staff Director*  
KRISTINE J. LUCIUS, *Democratic Chief Counsel and Staff Director*

June 24, 2015

**VIA ELECTRONIC TRANSMISSION**

The Honorable John Koskinen  
Commissioner of Internal Revenue  
1111 Constitution Ave NW  
Washington, DC 20224

Dear Commissioner Koskinen:

As the current and former Chairmen of the United States Senate Committee on Finance, we write concerning a recent audit by the Treasury Inspector General highlighting shortcomings in the preparation for processing Premium Tax Credit (PTC) claims.<sup>1</sup> The audit also revealed problems with the procedures used to reconcile Advanced Premium Tax Credit (APTC) overpayments.

The Affordable Care Act created Premium Tax Credits to assist low income taxpayers in purchasing a qualified health plan on a state-based exchange. In some cases the taxpayer can have some portion of the PTC paid in advance directly to the insurance company to help pay their insurance premium, a payment known as an Advanced Premium Tax Credit.

While the exchanges determine who is eligible to buy health insurance on the exchange and the potential amount of any APTC, it is the IRS that ultimately decides the appropriate amount of any PTC. To assist in this reconciliation, the exchanges are required to provide the IRS with updates on who is insured, including coverage start and end dates, APTC amounts and other data, on a monthly basis. These updates are

---

<sup>1</sup> Affordable Care Act: Assessment of Internal Revenue Service Preparation for Processing Premium Tax Credit Claims, May 11, 2015, Reference Number: 2015-43-043

known as Exchange Periodic Data (EPD). In addition to the monthly EPD, exchanges are required to provide to the IRS and to each person enrolled in the exchange an annual summary with information about that individual's enrollment. These yearly reports are known as a Form 1095-A, Health Insurance Marketplace Statement.

According to the audit, of the fifteen states (including the District of Columbia) which managed their own exchanges in 2014, six had provided no data to the IRS as of January 20, 2015, the beginning of the tax filing season. The Centers for Medicare and Medicaid Services, which managed exchanges in the remaining 36 states, had not sent approximately 1.7 million of the approximately 4.2 million enrollment records for which it was responsible by that same deadline. While some of this data was expected later in the tax filing season, this deficiency likely created challenges for the IRS as it attempted to reconcile APTC payments with PTC claims. To help understand how those challenges were met, we ask that you provide the following information by no later than July 17, 2015.

1. How many PTC claims were made for the 2014 tax year? For those taxpayers who made a PTC claim for the 2014 tax year, how many had been benefiting from APTC payments for any or all of that year?
2. How many PTC refunds were issued for the 2014 tax year?
3. How many taxpayers received PTC overpayments? What was the average dollar amount of overpayment, and the total amount overpaid? In how many of these cases, and in what total dollar amount, have taxpayers repaid the overpayment?
4. How many PTC claims were made for the 2014 tax year that the IRS could not verify with EPD or Form 1095-A data?
5. What steps did the IRS take to address any discrepancies described in question 4?
6. What is the IRS estimate of the number and dollar amount of inappropriately paid PTC for the 2014 tax year? How were these estimates made?
7. In how many cases were APTC payments made when it was later determined the taxpayer was not eligible for those payments? What is the approximate total dollar value of those payments?

8. How many of the payments described in question 6 and what total dollar value, were paid back?

Should you have any questions regarding these issues, please contact Chris Armstrong of Chairman Hatch's staff at (202) 224-4515 and Paul Junge of Chairman Grassley's staff at (202) 224-5225.

Sincerely,



Charles E. Grassley  
Chairman  
Committee on the Judiciary



Orrin G. Hatch  
Chairman  
Committee on Finance