Tax Time Brings Surprises for Some Who Receive ACA Subsidies

People who get Obamacare subsidies must file tax returns no matter their income.

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Tax time can come with big surprises for some people who have Affordable Care Act coverage, including owing money back to the government for premium subsidies received during the previous year.

More changes lie ahead that make it important for those getting subsidies in 2026 to track their income and take steps to protect against that kind of financial hit.

First, the basics of how the subsidies work.

Enrollees pay a percentage of their household income toward their health insurance premiums based on a sliding scale, ranging in 2025 from nothing for very low-income people to 8.5% at higher income levels. Subsidies, usually paid directly to insurers, cover the rest.

The income calculation done during open enrollment is an estimate of what a household thinks it will earn in the coming year. At tax time, ACA enrollees must reconcile what they received in subsidies with what they actually earned. If their income rose, they might owe some of the subsidies back.

But don’t skip filing! People who get ACA subsidies must file tax returns no matter their income, and that is becoming even more important: The Trump administration is already removing people from subsidy eligibility if they have gone two consecutive years without filing, and it is proposing lowering that to one year.

Beware Surprise Tax Bills

All enrollees who received subsidies for ACA coverage in 2025 — and more than 90% got at least some help — need to include a special form, the 8962, with their tax filings. That form is used to reconcile a person’s actual income with the amount of subsidies they received, information the IRS mails them on a separate, 1095-A form. Subsidy amounts are based in part on the income projections they made when they enrolled in their ACA plans.

And that can lead to surprises. Some may find they get money back if their income was less than they estimated. But, if their income went above their initial or updated estimates, they probably qualify for less in assistance and will have to pay money back.

Groups that help people file their taxes say it's not always easy for people to accurately estimate their income for the year ahead, especially those who run their own businesses, work multiple jobs, or have work that comes with varying hours.

Clients will say, "I can make anywhere between $20,000 and $45,000 next year. I just don't know," said Katie Alexander, director of training and volunteers for the health and economic opportunity program at Pisgah Legal Services, a western North Carolina nonprofit that provides free tax and health insurance help to people with low incomes.

Still, for taxes being filed now for the 2025 tax year, there is a cap on what many people must repay.

That cap is $375 for a single individual who earned less than $31,300 in 2025, or two times the federal poverty level. The maximum owed under that sliding scale for people whose income is on the higher end of the range is $1,625 for an individual and $3,250 for a family.

There is no repayment cap for people earning more than four times the federal poverty level — totaling $62,600 in 2025 for an individual or $106,600 for a family of three — so they could owe back all amounts that exceeded their eligibility.

"The amount is just so staggering for folks," Alexander said.

One woman whom Pisgah staff helped with pulling together her taxes for 2025 made just above $50,000, which was more than she initially estimated. Her repayment was capped at $1,625, Alexander said. Without that cap, she would have owed $4,000, a substantial chunk of her annual income.

Plan Ahead: The Rules Will Be Tougher Next Tax Season

Congressional Republicans' One Big Beautiful Bill Act, signed into law by President Donald Trump last summer, removed those repayment caps. That means come next year's tax season, there will be no sliding-scale limit to how much people could owe back in subsidies for 2026 if their income exceeds their projections.

"That's just going to be absolutely devastating," Alexander said.

There are at least two other things to keep in mind, both stemming from COVID-era enhanced tax credits, which expired at the end of last year because Congress did not extend them. One is that the amount of household income people must pay toward their premiums this year before subsidies kick in has risen to just over 2% on the low end of the income scale and up to nearly 10% for higher-income earners.

The second is that households earning over four times the federal poverty level no longer qualify for ACA subsidies.

The biggest financial hit could be felt by enrollees whose income rises enough during the year to exceed four times the poverty level. In that case, they would owe back all the subsidies they receive in 2026.

And that could be a lot.

In 2025, for example, the average monthly premium for ACA coverage was $619, but the average enrollee received subsidies worth enough to offset all but $74 of that, according to the Peterson-KFF Health System Tracker.

There's another twist for some. Because the enhanced credits were not extended, people are paying, on average, double the amount toward their premiums this year, so they may be looking to add to their incomes to cover the cost. A recent poll by KFF found that 43% of people who remained enrolled in coverage this year are planning to work more hours or get additional work to cover those costs.

"That makes sense, but it can also present a risk of being eligible for less subsidy money than they thought, or even mean they would have to repay the entire tax credit," said Cynthia Cox, senior vice president and director of the Program on the ACA at KFF, a health information nonprofit that includes KFF Health News.

People can update their projected income at the marketplace website as it changes during the year.

Pisgah staff are calling people they've worked with and saying, "Please, please, please, if your income changes, call us so we can adjust your income through the marketplace," Alexander said.

As much as possible, keep track of income during the year. This isn't easy, especially for workers who don't have a job with regular paychecks.

"If you're meeting with a CPA to talk about taxes, have a conversation to make sure you're making enough money to afford your costs, but not too much to lose eligibility for a subsidy," Cox said. "Contributing toward a retirement plan or a health savings account can lower part of your income that counts toward subsidy eligibility."

Others might choose to dial back their work hours or forgo a new client contract.

"If taking that extra shift means putting you over the line of 400% of the federal poverty level and that's going to cost you $10,000 in repayments, maybe don't take that shift," said Jason Levitis, a senior fellow at the Urban Institute who follows ACA and tax policy issues.

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