Premium Tax Credit

Cross References

- Rev. Proc. 2026-26
- IRC §36B(b)(3)(A)(i)

The Premium Tax Credit (PTC) is a refundable credit designed to subsidize the cost of health insurance. The PTC amount is determined based on the percentage of household income the cost of premiums represents, ranging from 2% of household income for those below 133% of the federal poverty line to 9.5% of household income for those at 400% of the federal poverty line. Taxpayers with household income above 400% of the federal poverty line do not qualify for the PTC.

The PTC is only allowed for taxpayers who are eligible to purchase health insurance through a health insurance exchange and are not eligible to receive affordable employer health insurance coverage, or some other government subsidized coverage such as Medicare or Medicaid.

For example, a taxpayer with household income at 200% of the federal poverty line in 2026 qualified for the PTC to the extent that the cost of premiums (after being reduced by the amount of the credit) was equal to 6.6% of household income.

Each year, the IRS provides inflation adjusted amounts for the applicable percentage table. For tax years beginning in calendar year 2027, the following percentages apply.

Tax Year Beginning in:	**2027**	
Household income percentage of federal poverty line:	Initial %	Final %
Up to 133%	2.15%	2.15%
133% up to 150%	3.23%	4.30%
150% up to 200%	4.30%	6.78%
200% up to 250%	6.78%	8.66%
250% up to 300%	8.66%	10.22%
300% up to 400%	10.22%	10.22%
Above 400%	No credit allowed	

Note: The above percentages are ranges. The applicable percentage is determined by the amount of household income as computed on Form 8962, *Premium Tax Credit (PTC).* The applicable percentage is found in Table 2 of the Form 8962 instructions.

For plan years beginning in calendar year 2027, the required contribution percentage is 10.22% for purposes of determining whether an individual is eligible for affordable employer-sponsored minimum essential coverage. Thus, if the individual's out of pocket cost of employer-sponsored health insurance coverage is less than 10.22% of his or her income, the coverage is considered affordable and the taxpayer does not qualify for the PTC.