Health Insurance Premium Exclusion for Public Safety Retirees

If you are a retired public safety officer, the federal Pension Protection Act of 2006 allows you to exclude up to $3,000 of your health, accident, or long-term care insurance premiums from your gross taxable income each year, as long as the premiums are deducted from your retirement allowance. The premiums can be for coverage for you, your spouse or dependents.

If you are filing a federal tax return, please read carefully the IRS tax instructions in order to take full advantage of this benefit. Premium contributions will be reflected on your December Notice of Benefit Payment (see YTD Health Ins. deductions).

The following tips may be helpful when you prepare your federal return:

•You must be a public safety retiree who retired for disability or after attaining "normal retirement age" (i.e., age 55 for Group 4 for those entering service prior to April 2, 2012).

•You need to file a federal income tax return in order to take advantage of the exclusion. If you do not file a federal return, then the exclusion will not benefit you.

•Your insurance premiums must be deducted from your pension check and paid directly to the health insurance carrier. Medicare Part B premiums do not qualify.

•If you have your federal tax return prepared by someone, please make sure the tax preparer knows that you are entitled to the exclusion.

You can read more about the income tax exclusion for Public Safety Retirees in IRS Publication 575, Pension and Annuity Income, and the IRS Form 1040 and Form 1040A instruction… https://www.irs.gov/forms-pubs/ebooks

> *"Insurance Premiums for Retired Public Safety Officers*
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> *If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for accident or health insurance or long-term care insurance. The premiums can be for coverage for you, your spouse, or dependents. The distribution must be made directly from the plan to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or $3,000. You can only make this election for amounts that would otherwise be included in your income. The amount excluded from your income can't be used to claim a medical expense deduction.*
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> *If you make this election, reduce the otherwise taxable amount of your pension or annuity by the amount excluded. The amount shown in box 2a of Form 1099-R doesn't reflect this exclusion. Report your total distributions on Form 1040, line 16a; Form 1040A, line 12a; or Form 1040NR, line 17a. Report the taxable amount on Form 1040, line 16b; Form 1040A, line 12b; or Form 1040NR, line 17b. Enter "PSO" next to the appropriate line on which you report the taxable amount.*
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> *If you are retired on disability and reporting your disability pension on line 7 of Form 1040 or Form 1040A, or line 8 of Form 1040NR, include only the taxable amount on that line and enter "PSO" and the amount excluded on the dotted line next to the applicable line."*

Please be aware that the retirement office is not able to render tax advice. For additional assistance, retirees should contact a tax consultant.