

# Retired Public Safety Officer Insurance Premium Deduction Program

## Frequently Asked Questions

### Program Information

#### 1. What is this new program and when does it start?

The Retired Public Safety Officer Insurance Premium Deduction Program allows eligible, retired public safety officers to have health and long-term care insurance premiums deducted directly from their Wisconsin Retirement System monthly annuity payments. Beginning in 2009, the Department of Employee Trust Funds (ETF) will directly pay the amounts deducted from an officer's annuity payment to the officer's insurance provider on behalf of the officer.

#### 2. Why is this new program being offered?

2007 Wisconsin Act 226 contains a provision allowing for the creation of this program. The reason for the program is that eligible, retired public safety officers who participate in the program can take advantage of federal regulations that allow an income tax exclusion. The income tax exclusion can be used to reduce taxable income on an officer's federal income tax return.

#### 3. What federal law created the income tax exclusion that is directly related to this program?

The federal Pension Protection Act of 2006 contains a provision permitting eligible, retired public safety officers to exclude up to \$3,000 for qualified health insurance premiums paid by them from their gross taxable income each year, as long as the premiums are deducted from their retirement benefit. The deductions must be sent directly to the officer's insurance provider by the retirement plan.

#### 4. Where can I find more information about the retired public safety officer federal income tax exclusion?

You can read more about the income tax exclusion in IRS Publication 575, *Pension and Annuity Income*, and the IRS Form 1040 and Form 1040A instructions. (See Question 5.)

### Program Eligibility

#### 5. Who is eligible to participate in this program?

Retired public safety officers as defined by federal law are eligible to participate. The following links, available through the IRS web site, provide the federal regulations on the income tax exclusion and the federal definition of an eligible public safety officer (you must scroll through the information on these sites to find the applicable public safety officer sections):

[http://www.law.cornell.edu/uscode/26/402\(l\)\(4\)\(C\).html](http://www.law.cornell.edu/uscode/26/402(l)(4)(C).html)

[http://www.law.cornell.edu/uscode/42/3796b\(9\)\(A\).html](http://www.law.cornell.edu/uscode/42/3796b(9)(A).html)

**6. I retired as a public safety officer. Who can tell me if I'm eligible for this program?**

It is the responsibility of each individual to determine his or her eligibility based on the federal regulations. ETF cannot determine eligibility because federal law defines who is eligible. If you are unsure about your eligibility for the program, contact your tax adviser or the IRS.

**7. I worked as a public safety officer for many years, but I retired in a different position. Am I still eligible?**

No. You must have retired as a public safety officer to be eligible. Your retirement as a public safety officer also must have been from the employer who has the retirement plan from which you are receiving a benefit. Your insurance premium deduction must be taken from this retirement benefit.

**8. I took an early retirement. Am I eligible?**

No. To be eligible for the program, you must have retired as a public safety officer at the normal retirement age stated in your plan's provisions. For the Wisconsin Retirement System, the normal retirement age for each employment category is:

Age 53 – Protective occupation participants with at least 25 years of creditable service, including creditable military service.

Age 54 – Protective occupation participants with less than 25 years of creditable service, including creditable military service.

Age 62 – Elected officials and state executive retirement plan employees.

Age 65 – General employees, teachers, and educational support staff.

**9. If I took an early retirement, do I become eligible when I reach my normal retirement age?**

No. A public safety officer who retires early does not become eligible later to participate in the program.

**10. I retired due to a disability. Am I eligible?**

Yes. One requirement for eligibility in the program for officers with a disability is that you must have retired as a public safety officer through a disability and are receiving a retirement benefit.

**11. I am receiving a duty disability benefit. Am I eligible?**

No. A duty disability benefit is not a retirement benefit. If you are receiving a retirement or disability retirement benefit in addition to a duty disability benefit, you may be eligible to participate in the program if you meet the other requirements for an eligible public safety officer as defined by federal law.

## **Income Tax Exclusion**

**12. How do I take the income tax exclusion for my payment of health insurance premiums?**

If you are an eligible, retired public safety officer, you can take this tax exclusion on your IRS Form 1040 or Form 1040A annual income tax return. See the Form 1040 or Form 1040A Instructions for information on how to complete the form to take the exclusion.

### **13. How much can I exclude from my taxable income?**

If you are eligible, you can exclude up to a maximum amount of \$3,000 per tax year. The amount you exclude cannot be greater than the insurance premium amount deducted from your annuity payments for the tax year. This is the limit of the exclusion even if you are receiving and having insurance premium deductions taken from multiple pension benefits.

### **14. How will I know how much I paid in health insurance premiums for the year?**

Every January ETF will provide you with the total amount of health insurance premiums that you deducted from your annuity payments in the previous calendar year.

### **15. What happens if both my spouse and I are retired public safety officers?**

If you both are eligible, retired public safety officers and you meet all the federal regulations, you and your spouse are allowed to exclude up to \$3,000 each from your federal taxable income.

### **16. Will the amount of taxable income reported to me on my Wisconsin Retirement System 1099-R tax statement be adjusted to reflect paid health insurance premiums?**

No. Taxable income, shown in box 2a. on your 1099-R, will not be adjusted for your insurance premium deductions. If you are an eligible, retired public safety officer, you take the exclusion yourself on your income tax return.

### **17. Does the income tax exclusion apply to health insurance premiums deducted from my retirement benefit to cover my spouse and dependents?**

Yes. The tax exclusion applies as long as you, the eligible, retired public safety officer, are the recipient of the retirement benefit payments.

### **18. Is the income tax exclusion passed on to my surviving spouse or dependents following my death?**

No. The tax exclusion applies only to an eligible, retired public safety officer. The tax exclusion does not extend to your spouse or dependents following your death.

## **Insurance Qualifications**

### **19. Do my health insurance premiums qualify for the income tax exclusion?**

For your health insurance premiums to qualify, they must meet all of the following criteria:

1. Cover medical, dental, vision and/or long-term care insurance, as defined in federal regulations, and
2. Provide coverage for you, your spouse or your dependents, and
3. Be deducted from your monthly annuity payment and sent directly to your insurance provider by the Department of Employee Trust Funds.

### **20. Do premiums paid to self-insured plans qualify for this income tax exclusion?**

Yes. An IRS correction was issued that allows premiums paid to self-insured insurance plans to qualify for the tax exclusion. Initially, the IRS ruled that premiums for a self-insured insurance plan did not qualify.

**21. Will the Department of Employee Trust Funds (ETF) make direct payments to my insurance provider on an annual, semi-annual or quarterly basis for my health insurance premiums?**

No. ETF can only make direct health insurance premium payments to insurance providers monthly, when annuity payments are made to you.

**22. Can I pay the health insurance premiums myself and still qualify for the income tax exclusion?**

No. ETF must deduct your health insurance premiums from your monthly annuity payment and send the premiums directly to your insurance provider.

## **Program Election**

**23. How do I sign-up for this program to have my health insurance premiums deducted from my annuity payments?**

If you are eligible to participate in the program, complete the authorization form, *Public Safety Officer Authorization for Insurance Premium Deduction*, ET-4330. Check the 'Add Deduction' box on the form. After completing your section of the form, you must take the form to your insurance provider. Your insurance provider must complete their section of the form and submit the form to ETF. With this form you are arranging with your insurance provider to have premiums deducted from your annuity and sent electronically to them on a monthly basis.

**24. What terms and conditions apply if I participate in the program?**

The terms and conditions applicable to this program are listed on the authorization form. You should carefully read them. In completing the form, both you and your insurance provider must sign that you have read and agree to the terms and conditions.

**25. If I submit the authorization form, how long will it take to be processed?**

After receipt of a properly completed authorization form, ETF must process the form and verify the electronic bank information for the insurance provider. When processing is complete, you will receive an *Annuity Payment Statement* just prior to the first of the month when the deduction will begin. The statement will show the deduction amount and your new net annuity payment. A message will be on the statement also telling you the deduction is starting with your next annuity payment.

**26. How often can I change the amount I am having deducted for my health insurance premiums?**

You can change the amount that you are having deducted whenever you wish. Complete the authorization form, check the 'Change Deduction' box and provide the new amount to be deducted. Submit the form to ETF and notify your insurance provider. When processing is completed by ETF, you will receive an *Annuity Payment Statement* containing a message stating the deduction has changed, and the new deduction amount reflected on the statement will be taken on your next annuity payment. ETF cannot process retroactive adjustments to change the amount of premiums deducted for a month under this program. You must submit an authorization form to change your monthly premium deduction amount. All changes will apply to future premium deductions only.

**27. How do I cancel my participation in the program?**

You can cancel participation in the program and stop your health insurance premium deduction at anytime. Your cancellation must be in writing. To cancel, complete the authorization form and check the 'Stop Deduction' box. Submit the form to ETF and notify your insurance provider. When processing is completed by ETF, you will receive an *Annuity Payment Statement* containing a message stating the deduction will not be taken on your next annuity payment.

**28. If I cancel participation in the program can I participate again at a later date?**

Yes. You can participate in the program at anytime by completing the authorization form. (See Question 23.)

**29. Do I need to renew my election for this program each year?**

No. You do not need to renew your election each year. Once you have elected to participate in the program, by submitting an authorization form (ET-4330), your election remains in effect until you or your insurance provider cancel in writing.

**30. Can I have insurance premium amounts taken from my annuity payments refunded to me?**

No. ETF cannot refund insurance premiums taken under this program. If you are entitled to a refund, you must contact your insurance provider.

**31. Is there a limit on how much I can have deducted from my annuity for insurance premiums?**

No, there is not a limit on deduction amount for a month or for a year. You can have any amount deducted monthly for insurance premiums as long as your annuity is sufficient to cover the deduction after all your other deductions, such as federal income tax withholding, are taken. The federal income tax exclusion is limited to \$3,000 annually but ETF will continue to take the monthly deduction amount from your annuity that you requested even after the deductions in total exceed \$3,000 in a calendar year.

**32. If I am covered under a State of Wisconsin group insurance plan and my insurance premiums are being deducted from my annuity, do I need to elect to participate in this program?**

No. ETF currently provides you with the total amount of insurance premiums taken from your annuity each year in the information block on your WRS 1099-R tax statement. If you are an eligible, retired public safety officer and meet all the federal regulations, you may be eligible for the federal income tax exclusion.

**33. If I am covered under a State of Wisconsin group insurance plan and my insurance premiums are being paid from my sick leave credits, do my sick leave credits count as insurance premiums for the income tax exclusion?**

No. Federal regulations for the income tax exclusion require that you must pay for the insurance premiums as a deduction from your annuity payment.

**34. If I am covered under a State of Wisconsin group insurance plan and I pay my insurance premiums directly to my insurance provider, do my payments count as insurance premiums for the income tax exclusion?**

No. Federal regulations for the income tax exclusion require that you must pay for the insurance premiums as a deduction from your annuity payment.

**35. If I am covered under a State of Wisconsin group insurance plan and I also have other health insurance, can I participate in this program for the other health insurance that I have?**

Yes. You can elect to participate in the program to have insurance premiums deducted from your annuity for health and long-term care insurance that you obtain from plans other than State of Wisconsin group insurance plans.

**36. Would my election to participate in the program change the federal income tax withholding on my monthly pension payment?**

No. Your monthly federal income tax withholding will not automatically change if you participate in the program. You can change your withholding, both federal and state, at any time by completing ETF's form ET-4310, *Income Tax Withholding Election*. You can obtain this form from ETF's website, <http://etf.wi.gov>, or by calling ETF's toll-free self-service line at 1-877-383-1888 or (608) 266-2323 (local Madison).

**37. How will ETF assist me if my insurance provider contacts me stating they have not received payment for my insurance premiums?**

ETF will assist you and work with your insurance provider to resolve payment issues relating to the Automatic Clearing House (ACH) direct deposits that ETF made to your insurance provider for your insurance premium deductions. Contact ETF at 1-877-533-5020 (toll free) or 608-266-3285 (local Madison).

## Other Programs

**38. If I participate in the Wisconsin Deferred Compensation Program, can I have insurance premiums deducted from my deferred compensation account for the retired public safety officer federal income tax exclusion?**

Yes. For more information contact the Wisconsin Deferred Compensation Program at Great-West Retirement Services at 1-877-457-9327.

## Additional Information

**39. Where can I find more information on the Retired Public Safety Officer Insurance Premium Deduction Program?**

You can find more information about the program on ETF's website, <http://etf.wi.gov>,. A program brochure, *Retired Public Safety Officer Insurance Premium Deduction Program*, ET-4118, and authorization form, *Public Safety Officer Authorization For Insurance Premium Deduction*, ET-4330, are available on-line. If you have questions, you can email ETF from ETF's website or contact ETF at:

1-877-533-5020 (toll free) or (608) 266-3285 (local Madison)

For Wisconsin Relay Service (for hearing & speech impaired) call 7-1-1 or 1-800-947-3529 (English) or 1-800-833-7813 (Spanish)