



The Health Coverage Tax Credit (HCTC) makes health insurance affordable for your clients. The HCTC is a federal tax credit that pays 72.5% of qualified health insurance premiums for individuals and their families. As a tax professional, you can help eligible individuals understand how to claim the HCTC.

Important Information for the 2011 tax year

The Trade Adjustment Assistance (TAA) Extension Act of 2011 made changes to the HCTC for the 2011 tax year. One of the most significant changes was the increase of the tax credit from 65% to 72.5%, retroactively to February 13, 2011. If an individual received the 65% tax credit through the monthly HCTC program or through the National Emergency Grant (NEG) Bridge Program, in any month from March through December 2011, they are eligible to claim an additional 7.5% retroactive credit on their federal income tax return. For more information on the legislative changes and how to claim the tax credit for 2011, please visit the Latest News page at www.irs.gov/hctc.

HCTC Candidate Requirements

The HCTC pays 72.5% of qualified health insurance premiums for certain trade affected workers, retirees, and their qualified family members. To determine if your clients are candidates for the HCTC, start by asking if they are (or were during any part of the tax year) one of the following:

- Pension Benefit Guaranty Corporation (PBGC) payees and are 55 years old or older
- A Trade Adjustment Assistance (TAA), Alternative TAA (ATAA), or Reemployment TAA (RTAA) recipient.
- Qualified family members of an individual who fell under one of the categories listed above when they enrolled in Medicare, passed away or finalized a divorce.

HCTC Health Plan Requirements

Finally, find out if they have (or had during any part of the tax year) health coverage from one of five types of HCTC qualified health plans:

1. A COBRA plan where the individual or their spouse pays more than 50% of the total cost of coverage.*
2. State-qualified health plans, which are specially designated as qualified for the HCTC.
3. Coverage through their spouse's job where the individual pays more than 50% of the total monthly premium with after-tax dollars.
4. Non-group/individual health plans that took effect at least 30 days before their last paid day of work.
5. VEBA's (Voluntary Employee Beneficiary Association) that are qualified for the HCTC.

* Individuals cannot receive the HCTC for any month in which they receive the 65% COBRA Premium Reduction.

How To Receive the HCTC

Once you determine that your clients can receive the HCTC, ask how they want to receive it:

- **Monthly:** The monthly option helps individuals pay for health insurance each month as their premiums become due. Once registered, individuals will receive a monthly invoice from the HCTC Program for their 27.5% portion of the health insurance premium. The HCTC Program will add the remaining 72.5%, and then send the full 100% of the premium payment to their health plan.
- **Yearly:** With the yearly option, HCTC-eligible individuals pay their health plan premiums in full each month and then claim the credit on their federal income tax return by filing Form 8885, *Health Coverage Tax Credit*. Once the IRS processes their tax forms, they will receive the HCTC as either a tax credit or a refund.

To learn about the detailed eligibility and health plan requirements for the HCTC, visit www.irs.gov/hctc or download a copy of the HCTC Eligibility Guide to review with your clients. If you have questions, please call the HCTC Customer Contact Center toll-free at 1-866-628-HCTC (4282). If you have a hearing impairment, call 1-866-626-4282 (TTY).