



The Health Coverage Tax Credit (HCTC) makes health insurance more affordable for your clients. The following is a list of the most frequently asked questions about the tax credit for the 2013 tax year.

## General Information

### ***What is the HCTC?***

The Health Coverage Tax Credit (HCTC) pays for 72.5% of qualified health insurance premiums for eligible individuals and their families. The HCTC was a unique tax credit, because eligible individuals could opt to receive the credit on a monthly basis, as their health insurance premiums became due, or yearly as a refundable credit on their federal income tax return. Please note: The legislation that authorized the Health Coverage Tax Credit (HCTC) expired January 1, 2014, and the tax credit is no longer available for tax years after 2013. To claim the Yearly HCTC, individuals must file Form 8885 and supporting documentation with their federal income tax return.

### ***Who is eligible for the HCTC?***

The following individuals are candidates for the HCTC:

- A Pension Benefit Guaranty Corporation (PBGC) payee who is 55 years old or older.
- An eligible Trade Adjustment Assistance (TAA), Alternative TAA (ATAA), or Reemployment (RTAA) RTAA recipient.

An eligible TAA recipient is someone who receives a Trade Readjustment Allowance (TRA) or is in an approved break in training, or receives Unemployment Insurance (UI) in lieu of TRA, while otherwise eligible for TRA. TAA recipients also must meet eligibility deadlines for enrollment in TAA-approved training or receive a written waiver to maintain HCTC eligibility.

- A qualified family member of an individual who fell under one of the categories listed above at the time of Medicare enrollment, death or divorce.

### ***What is Trade Adjustment Assistance (TAA)?***

The TAA program is a benefit administered by the DOL for people who have lost their jobs because of trade with foreign countries. TAA recipients are eligible to receive benefits under the Trade Adjustment Assistance for Workers program. Employers and unions file petitions with the DOL to have their employees TAA-certified. TAA offers an income supplement, known as the Trade Readjustment Allowance, assistance in skill assessment, job search workshops, job development or referral, and job placement. In addition, workers may be eligible for training, job search allowances, relocation allowances, and other reemployment services. Contact the U.S. Department of Labor Employment and Training Administration (DOLETA) for more information.

### ***What is Alternative Trade Adjustment Assistance (ATAA)?***

The ATAA program is a wage subsidy designed for workers with hard-to-transfer skills. To be eligible for this DOL program, workers must meet certain eligibility criteria.

ATAA recipients:

- Are at least 50 years old
- Have lost a job at a trade-affected company
- Have another job where they make less money, and
- Get a wage supplement from their state to make up for their lower income

Contact the U.S. Department of Labor Employment and Training Administration (DOLETA) for more information.



## General Information (continued)

### **What is Reemployment Trade Adjustment Assistance (RTAA)?**

The RTAA program is a wage subsidy designed for workers with hard-to-transfer skills. To be eligible for this DOL program, workers must meet certain eligibility criteria.

RTAA recipients:

- Are at least 50 years old
- Have lost a job at a trade-affected company
- Do not require a separate certification of group eligibility
- May participate in TAA-approved training
- Have another job where they earn less money, and
- Receive a wage supplement from their state to make up for their lower income

Contact the U.S. Department of Labor Employment and Training Administration (DOLETA) for more information.

### **What is the Pension Benefit Guaranty Corporation (PBGC)?**

The PBGC is a federal corporation that insures the pension benefits of workers in some private sector industries. When an employer faces severe financial difficulty, such as bankruptcy, and can't continue paying pensions to its retirees, the employer may request that the PBGC take over the responsibility for paying pension benefits to its retirees. The PBGC becomes the 'trustee' of plans for which it assumes responsibility. As the trustee of a pension plan, the PBGC pays pension benefits under the terms of the plan, subject to certain limits, to plan participants and beneficiaries. PBGC payees can receive their pension benefit as a monthly payment or as a one-time lump sum payment. If the PBGC paid your client in a lump sum, he or she is a candidate for the HCTC as long as the PBGC trustee their plan on or before the date that the lump sum payment was received. The lump sum payment must have also been received after August 5, 2002.

**Note:** PBGC payees become candidates for the HCTC on the day the PBGC becomes the trustee of their pension plan, even if they do not receive an Eligibility Certificate for a few months after that. For example, if the PBGC became the trustee of a pension plan on February 20, 2013, and an individual was enrolled in a qualified health plan at that time and paid the entire monthly premium, but did not enroll in the HCTC until April 2013, the individual could still claim the Yearly HCTC on his or her federal income tax return for the payments they made in February and March, and for any other month in which he met all the requirements and made payments directly to a qualified health plan. To learn more about the PBGC, please visit its website at [www.pbgc.gov](http://www.pbgc.gov).

### **Can family members of PBGC payees and TAA, ATAA and RTAA recipients receive the HCTC?**

Yes. PBGC payees and TAA, ATAA, and RTAA recipients can receive the HCTC for the qualified health insurance premiums of their family members. Qualified family members must be either a spouse or dependent of the eligible individual, and meet all HCTC eligibility requirements.

If the PBGC payee or TAA, ATAA, or RTAA recipient enrolls in Medicare, passes away, or finalizes a divorce, they are eligible to continue to receive the HCTC for the premiums of their qualified family member until January 1, 2014.

If your client would like to claim the Yearly HCTC for the premiums of their qualified family members, please visit the "Information for Yearly Filers" page on [www.irs.gov/hctc](http://www.irs.gov/hctc).



## General Information (continued)

### ***How can I begin to determine who is a candidate for the HCTC?***

Ask the client if, during any part of the tax year, they:

- Received Trade Readjustment Allowance (TRA) or unemployment insurance under the TAA program
- Received benefits under the ATAA or RTAA programs
- Received payments from the PBGC and is at least 55 years old
- Were a qualified family member of an individual who was in one of the categories listed above when the individual enrolled in Medicare, passed away, or filed for a divorce

If the client answers “yes” to one of these questions, then they are a candidate for HCTC.

### ***What are the main reasons that individuals cannot receive the HCTC?***

Individuals cannot receive the HCTC if they:

- Are not receiving pension payments from the PBGC or benefits under the TAA, ATAA, or RTAA programs
- Are enrolled in Medicare or have another form of disqualifying health coverage
- Are not enrolled in a qualified health plan
- Are imprisoned by a federal, state, or local authority
- Can be claimed as a dependent on another individual’s federal income tax return
- Are receiving the 65% COBRA Premium Reduction
- Are enrolled in Medicaid or the Children’s Health Insurance Program (CHIP)
- Are enrolled in the Federal Employees Health Benefits Program (FEHBP) or the U.S. military health system (TRICARE)

### ***Where can I get more information about HCTC eligibility requirements?***

You can visit [www.irs.gov/hctc](http://www.irs.gov/hctc) or you can call the HCTC Customer Contact Center toll-free at 1-866-628-HCTC (4282). For those with a hearing impairment, call 1-866-626-4282 (TTY). The Customer Contact Center is open from 8:00am - 5:00pm Central time, Monday through Friday. After February 28, 2014, please visit [www.irs.gov/hctc](http://www.irs.gov/hctc) for information regarding the HCTC.

### ***Do I need a power of attorney to call the HCTC Customer Contact Center on behalf of my client?***

No. However, as your client’s tax preparer, you must be authorized to discuss his or her HCTC account. Individuals can authorize their tax preparer to act on their behalf by calling the HCTC Customer Contact Center to request that the tax preparer be added to their account as a third party designee.



## General Information (continued)

### ***If an individual received the HCTC last year, is he or she automatically able to receive the tax credit this year?***

No. Eligibility for the HCTC is determined on a monthly basis. An individual must be a PBGC payee or a TAA, ATAA, or RTAA recipient, meet the general requirements, and be enrolled in a qualified health plan in order to receive the HCTC for a given month.

### ***What is a qualified health plan?***

A qualified health plan must meet the requirements described in the HCTC legislation. The following types of health plans qualify for the HCTC:

- **COBRA:** The Consolidated Omnibus Budget and Reconciliation Act (COBRA) is federal legislation that allows employees to extend their job-based health coverage if they lose their job or experience other qualifying events that cause them to lose their health insurance. The HCTC can pay for COBRA health insurance expenses if the individual or their spouse pays more than 50% of the cost of coverage.
- **State-qualified health plan:** These are health plans that have been determined by a state's Department of Insurance as meeting the requirements of the Trade Act of 2002. Not all states have health plans that qualify for the HCTC. To view a list of state-qualified health plans, go to [www.irs.gov/hctc](http://www.irs.gov/hctc) and click on the "Quick References" link.
- **Spousal coverage:** This is coverage under a group plan that is available through the spouse's employer. If the spouse has employer-sponsored coverage, and the spouse pays more than 50% of the cost with after-tax dollars, it is considered a qualified health plan for the HCTC. If the spouse's coverage is COBRA, then the individual can either enroll in the Monthly HCTC or claim the Yearly HCTC on their federal income tax return. If the spouse's qualifying coverage is not COBRA, the individual can only claim the Yearly HCTC. Additional restrictions apply to ATAA and RTAA benefit recipients.
- **Non-group/individual health plan:** This coverage type is an individual policy for a single person or family. It is usually provided under a contract purchased through an insurance company, agent, or broker. In order for this type of plan to qualify for the HCTC, it must have been in effect 30 days before the person's last paid day of work from the company that made them eligible for PBGC or TAA, ATAA, or RTAA benefits.
- **Voluntary Employee Beneficiary Association (VEBA):** VEBAs that were established as a result of a former employer's bankruptcy qualify for the HCTC.

## Tax Forms

### ***What additional resources or IRS publications can I use to help individuals receive the Yearly HCTC on their federal income tax return?***

You can visit [www.irs.gov/hctc](http://www.irs.gov/hctc) and click on the "HCTC Information for Yearly Filers" page for helpful information on how to claim the Yearly HCTC for the 2013 tax year. IRS Publication 502, *Medical and Dental Expenses*, and Publication 17, *Your Federal Income Tax for Individuals*, also provide information about the HCTC. These publications can be found online at [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676). Please make sure to download or ask for publications for the correct tax year.



## Tax Forms (continued)

### ***What form should be filed with a federal income tax return to claim the Yearly HCTC?***

To claim the Yearly HCTC, file Form 8885, Health Coverage Tax Credit. The form helps individuals determine if they are able to receive the credit and provides instructions for claiming the HCTC. They should complete Form 8885, attach the supporting documents, and file it with Form 1040, *U.S. Individual Income Tax Return*, Form 1040-NR, *U.S. Non-Resident Alien Tax Return*, or Form 1040-SS, *U.S. Self-Employment Tax Return for Residents of the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands and Puerto Rico* (Form 1040-PR – Spanish language version). Form 8885 cannot be filed with Form 1040-EZ or Form 1040-A.

### ***What supporting documents should be submitted for the Yearly HCTC with a federal income tax return?***

Whether filing electronically or on paper, the following must be submitted to verify that the client had and paid for qualified health coverage: health insurance bills and proof of payment for each month an individual will claim the Yearly HCTC (for example, canceled checks; bank statements showing the electronic funds transfer; account statements from the insurer showing payments made during the year) for any amounts included on Line 2 of Form 8885. For COBRA, appropriate supporting documents such as the COBRA Election Letter must also be attached. See the Form 8885 instructions for detailed information on the required supporting documentation.

### ***How should the supporting documents be provided?***

If a paper tax return is filed, attach Form 8885 and the required supporting documentation to the federal income tax return when it is filed.

For electronically filed returns, you must still submit Form 8885 and the required supporting documentation. Follow the instructions for sending supporting documents with Form 8453, *U.S. Individual Income Tax Transmittal*.

### ***Where can I obtain Form 8885?***

You can obtain the form from the IRS website or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

### ***Who sends Form 1099-H and why?***

The HCTC Program sends Form 1099-H to individuals who received the Monthly HCTC in one or more months during the tax year. Form 1099-H shows the amount of the monthly tax credit that was paid towards the qualified health plan premiums, as well as any reimbursements credited or paid to the taxpayer. Individuals cannot claim the yearly credit for any months in which they received the Monthly HCTC or a reimbursement credit. This form should be kept by taxpayers for their records and should not be filed with their federal income tax returns.



## HCTC Candidates by Industry and Geography

***Do certain geographic areas have a greater likelihood of having a high population of candidates for the HCTC?***

Yes. The population of candidates for the HCTC Program is larger in certain geographic areas; however, new companies are certified as trade-impacted by the U.S. Department of Labor every month, and the Pension Benefit Guaranty Corporation trustees new plans every year. Therefore, HCTC candidate concentration locations are ever changing.

***Can I get a list of companies whose pensions have been taken over by the PBGC?***

Yes. You can visit PBGC website at [www.pbgc.gov](http://www.pbgc.gov) for this information.

***Can I get a list of companies whose employees have recently been certified for TAA benefits?***

Yes. You can visit the U.S. Department of Labor Employee and Training Administration website at [www.doleta.gov](http://www.doleta.gov) for this information.