



**HCTC**

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Health Coverage  
Tax Credit

# Train-the-Trainer HCTC Overview

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- ▲ **HCTC Overview**
- ▲ **Three Steps to Receiving the HCTC**
  - 1) TAA, ATAA or PBGC Benefits
  - 2) General Eligibility Requirements
  - 3) Qualified Health Plan
- ▲ **Receiving the HCTC Monthly or Yearly**
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# HCTC Overview

# The Trade Act of 2002

- ▲ The Trade Act of 2002 created a tax credit to provide temporary assistance to workers and retirees in “distressed” industries
- ▲ The HCTC is intended to help workers pay for health insurance coverage when they:
  - Lose their jobs at their TAA-certified company, or
  - Have their pensions taken over by the PBGC.
- ▲ The credit is equal to 65% of an eligible individual’s health plan premium - for certain types of “qualified” health insurance
- ▲ The HCTC can be claimed monthly by completing a Registration Form or yearly when individuals file their federal tax returns
- ▲ The Internal Revenue Service (IRS) administers the Health Coverage Tax Credit (HCTC) Program

### The HCTC **Can** Pay For:

- ▲ 65% of health insurance premiums for eligible individuals and their family members
- ▲ 65% of prescription only drug plan premiums



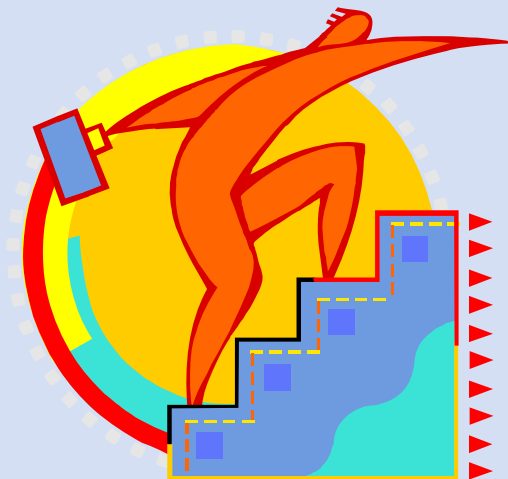
### The HCTC **Cannot** Pay For:

- ▲ Health insurance premiums for family members who are not eligible
- ▲ Dental plans (not included in a benefits package)
- ▲ Vision plans (not included in a benefits package)
- ▲ Any portion of health coverage that an employer pays on an individual's behalf



If an individual meets all of the eligibility requirements for the HCTC and has one of these items the HCTC cannot pay for, then those items are subtracted from the total monthly premium. The remaining amount is to what the 65% credit will be applied.

## Three Steps to Individuals Receiving the HCTC



- STEP 1 Must be receiving TAA, ATAA or PBGC pension benefits
- STEP 2 Must meet the general HCTC requirements
- STEP 3 Have a qualified health plan



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# Step 1: TAA, ATAA and PBGC Eligibility



### Who Is Eligible?

- ▲ Trade Adjustment Assistance (TAA) benefit recipients
- ▲ Alternative Trade Adjustment Assistance (ATAA) benefit recipients
- ▲ Pension Benefit Guaranty Corporation (PBGC) benefit recipients



# Who Is Eligible? TAA

- ▲ Individuals receiving a Trade Readjustment Allowance (TRA)
  - Income supplement \$\$
  - Training or a waiver for training

*or*

- ▲ Individuals who would receive TRA, but they have not used up their unemployment insurance (UI)



Individuals are eligible for the HCTC for as long as they continue receiving an income supplement and meet the training requirements.

# Who Is Eligible? ATAA

- ▲ ATAA is designed for eligible workers who may not benefit from retraining because they have non-transferable skills
- ▲ Workers must be:
  - At least 50 years of age
  - In a different full-time job within 26 weeks from leaving their trade-affected job
  - Earning less at the new job than at their trade-affected job
  - Earning less than \$50,000 a year in their new job



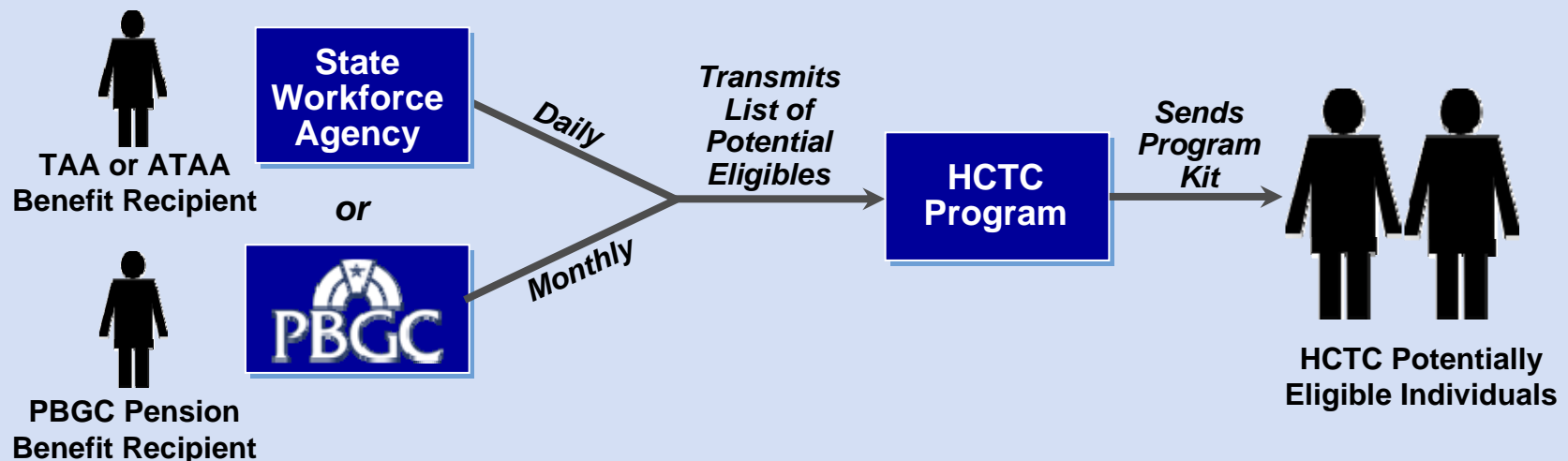
*Additional eligibility criteria apply for ATAA individuals, so they must register for the monthly credit by calling the HCTC Customer Contact Center.*

### Who Is Eligible? PBGC

- ▲ A company requests the Pension Benefit Guaranty Corporation (PBGC) to take over their pension plan
- ▲ Individuals who receive a pension benefit payment from the PBGC as a monthly benefit or as a lump sum are potentially eligible for the HCTC
- ▲ “PBGC benefit recipients” include anyone who receives a benefit from the PBGC as a survivor, a beneficiary, or an alternate payee under a qualified domestic relations order
- ▲ Individuals must be 55 to 65 years of age and not entitled to Medicare

## How Does the HCTC Program Know Who Is a TAA, ATAA and PBGC Benefit Recipient?

- ▲ Individuals become “Potentially Eligible” for the HCTC when a state or the PBGC sends electronic eligibility records to the HCTC Program
- ▲ Individuals **cannot** register for the monthly credit until they receive an HCTC Program Kit in the mail





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## Step 2: General HCTC Eligibility Requirements

### Potentially Eligible Individuals **Cannot** Receive the HCTC if They Are:

- ▲ Entitled to Medicare
- ▲ Entitled to health coverage through the US military health system (TRICARE/CHAMPUS) – *this does not include VA benefits*
- ▲ Claimed as dependent on someone else's tax return
- ▲ In prison



ATAA individuals have additional eligibility requirements for the HCTC. They must contact the HCTC Customer Contact Center to register for the monthly credit.

### Potentially Eligible Individuals **Cannot** Receive the HCTC if They Are Enrolled in:

- ▲ Medicare
- ▲ Medicaid
- ▲ The State's Children's Health Insurance Program (SCHIP)
- ▲ The Federal Employees Health Benefit Program (FEHBP)
- ▲ CHAMPUS/TRICARE – *not including VA benefits*





### Family Members Can Also Receive the HCTC if:

- ▲ The potentially eligible individual meets **all** eligibility requirements in Step 2 (slide 15 & 16), however family members can be claimed as a dependant
- ▲ They have an HCTC Qualified Health Plan (see Step 3); family members can either be on the same plan as the potentially eligible individual or on a separate qualified plan



*When the potentially eligible individual is no longer eligible for the HCTC (i.e. trade benefits expire, or they turn 65 and are entitled to Medicare), then their family members can no longer receive the HCTC.*



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## Step 3: HCTC Qualified Health Plans

## The Four Types of HCTC Qualified Health Plans

- ▲ COBRA
- ▲ State-Qualified Health Plan
- ▲ Spousal Coverage
- ▲ Non-group/Individual Health Plan



## COBRA Qualified Health Plan

- ▲ Health insurance former employers sometimes offer employees when they leave their jobs
- ▲ Employees have to “elect” COBRA and pay out of pocket for health insurance – *the HCTC Program will need a copy of this “election letter”*
- ▲ For the HCTC, individuals **must** pay more than 50% of the cost of COBRA coverage
- ▲ COBRA plans are the most common in the monthly credit program

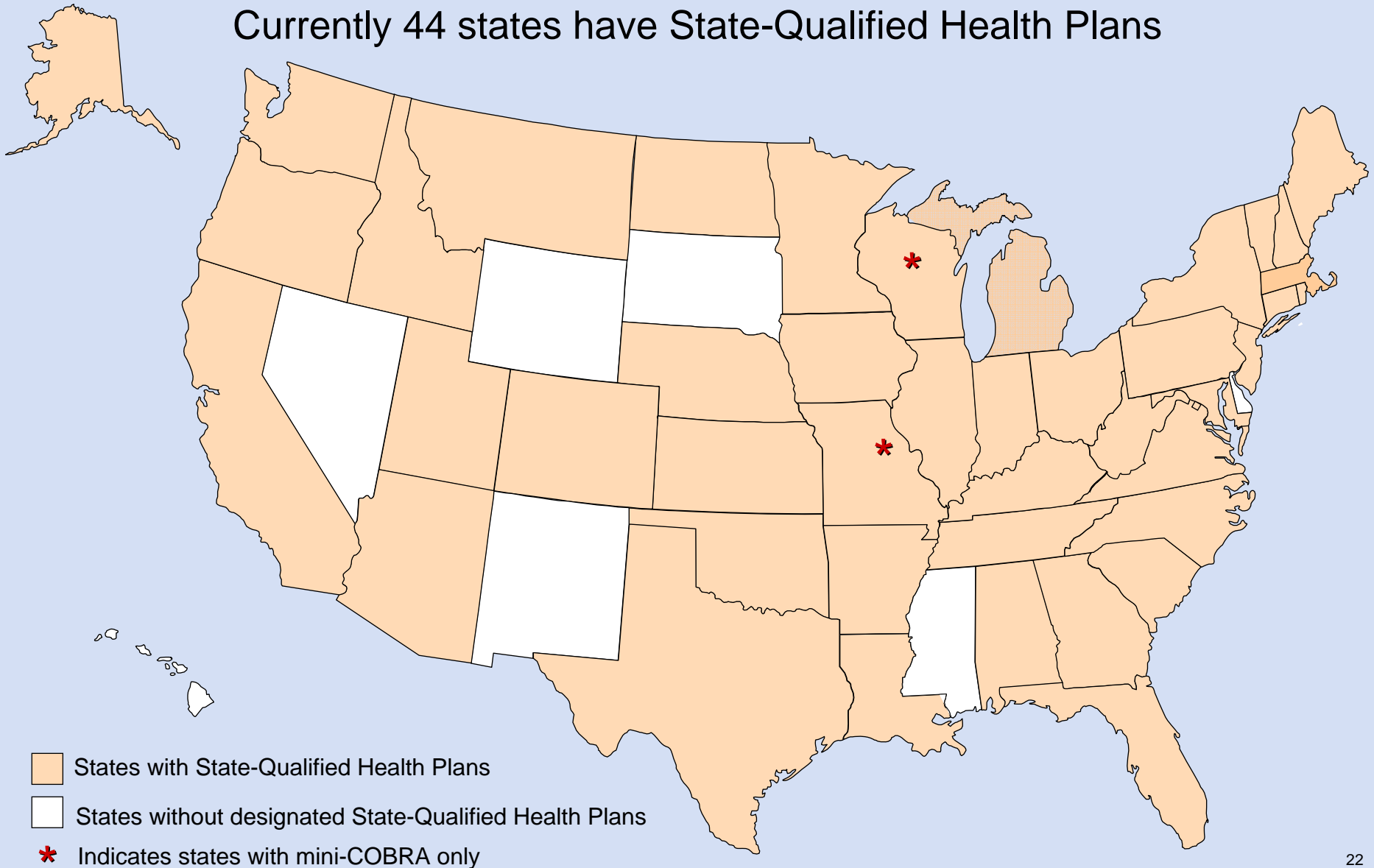
## State-Qualified Health Plan

- ▲ The State Department of Insurance works with the Department of Treasury to qualify health plans in a state
- ▲ In order for the plan to be qualified it must have:
  - Guaranteed issue
  - No pre-existing conditions clause
  - Non discriminatory premium
  - Same benefits
- ▲ Individuals generally have to live in the state to enroll in a state plan

Current list of State-Qualified plans is available online at:  
[www.irs.gov](http://www.irs.gov) (Keyword/Search: HCTC)

# Four Types of Qualified Health Plans

Currently 44 states have State-Qualified Health Plans



- States with State-Qualified Health Plans
- States without designated State-Qualified Health Plans
- \* Indicates states with mini-COBRA only

## Spousal Coverage

- ▲ Health insurance the potentially eligible individual receives through his/her spouse's job
- ▲ The eligible individual and spouse **must** pay more than 50% of the cost of coverage
- ▲ If the spouse's plan is COBRA, they can use the credit monthly; however, if the plan is not COBRA, they can **only** claim the credit yearly when they file their federal tax return

## Non-group/Individual Health Plans

- ▲ Health plan that covers one person or family and is purchased directly from an insurance company, agent or broker
- ▲ The health plan **must** take effect at least 30 days before the individual's last paid day of work
  - The last paid day of work from the job that made the individual eligible to receive TAA, ATAA or PBGC benefits
  - The last day of work is either the last physical day at work, or the last day of work if the individual had been at work (i.e. if on paid leave, vacation, sick leave)



*Due to the 30-day rule, use of a Non-group/Individual plan is very rare for the HCTC*





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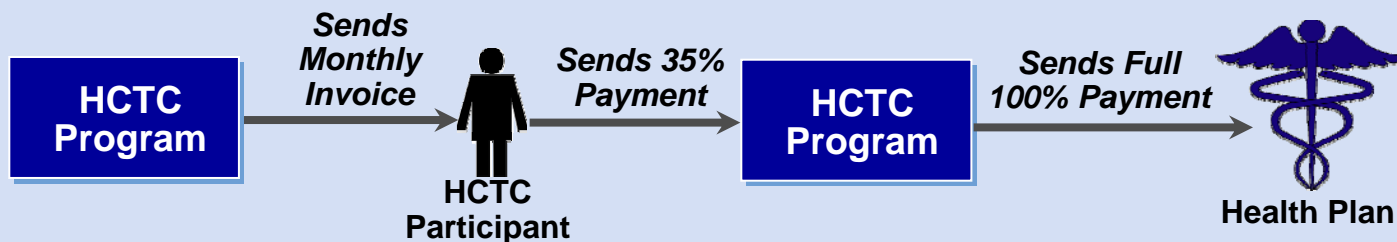
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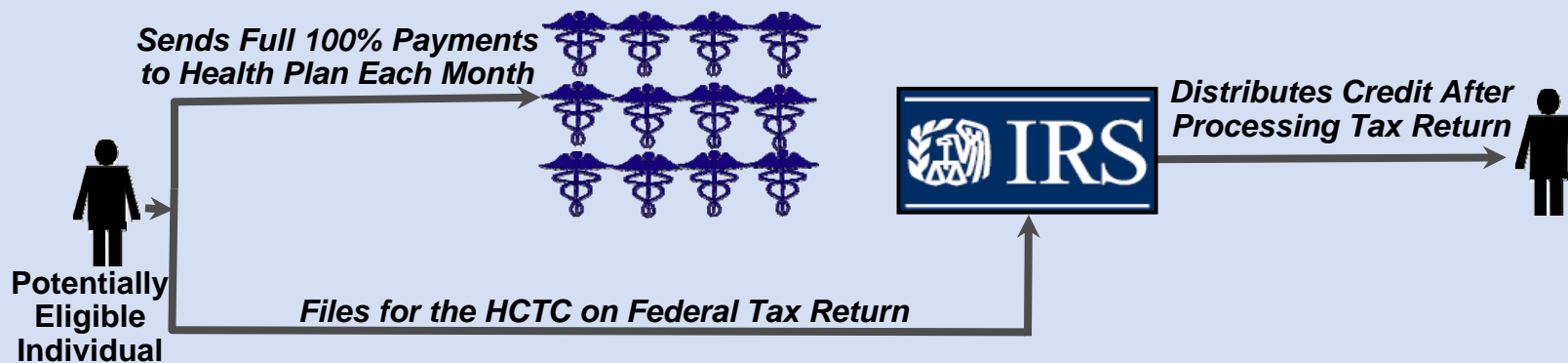
## Receiving the HCTC Monthly and Yearly

## Individuals Can Receive the HCTC Two Ways:

- ▲ **Monthly**, as a payment made directly to their health plan



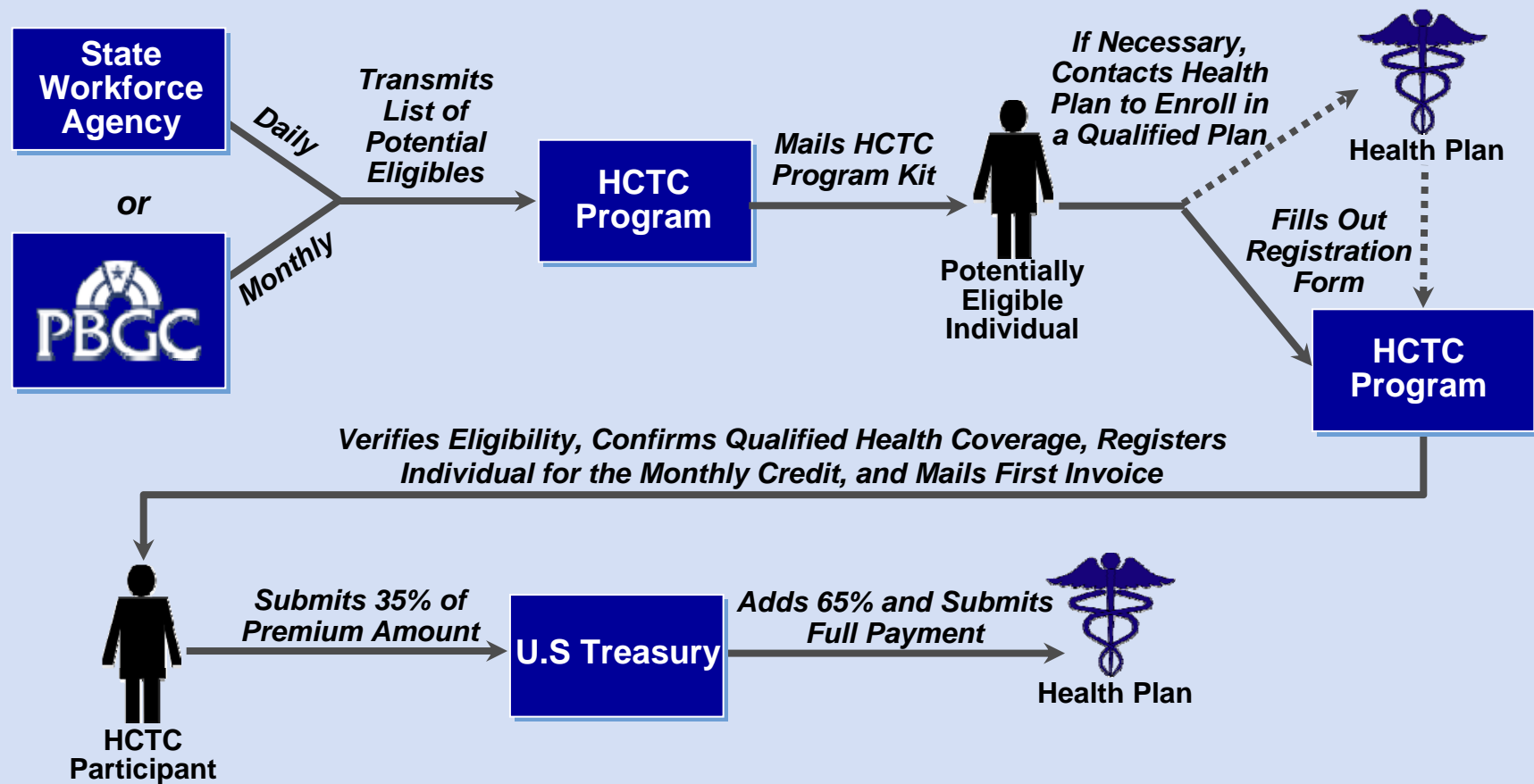
- ▲ **Yearly**, when they file their federal tax return with the IRS



### Monthly

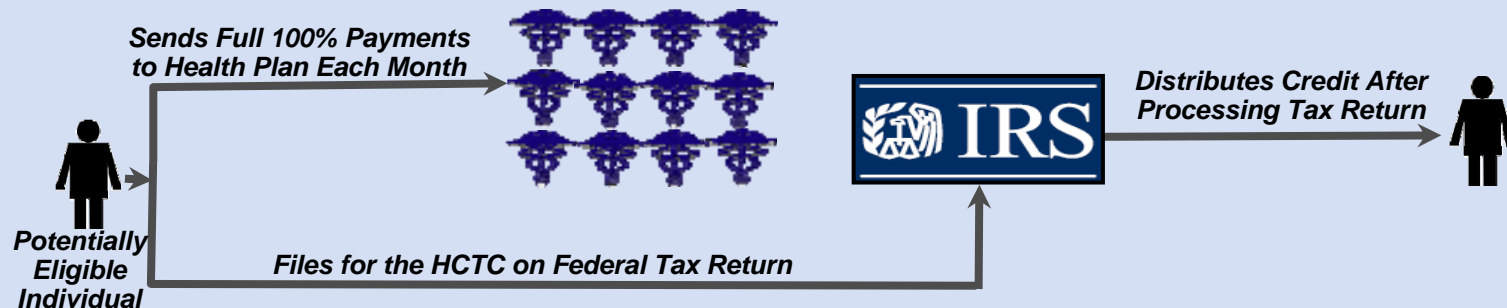
- ▲ Register for the monthly credit via the HCTC Registration Form and submit required supporting documents
- ▲ Individuals cannot register for the monthly credit until they receive a Program Kit in the mail
- ▲ If they meet all the eligibility requirements and have a qualified health plan, the HCTC Program will register the individuals for the monthly credit program and send them a monthly invoice for 35% of their health premium (excluding the portions that the HCTC cannot pay)
- ▲ If individuals pay their portion by the due date, then the HCTC Program will send a full payment to their health plan

## Monthly



## Yearly

- ▲ Individuals pay their full 100% premium to their health plan directly each month
- ▲ Individuals claim the HCTC when they file their federal tax return by including IRS Form 8885 and attaching:
  - Health insurance policy information
  - All health insurance bills
  - Proof of payment (cancelled checks or credit card statements)
- ▲ Individuals receive the HCTC as a refund or as a credit to taxes they owe





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# Registration Form Tips

## Required Documents All Individuals Must Send

- ▲ A copy of the health insurance bill (or COBRA payment coupon) dated within the last 60 days. The bill must have:

- Individual's name
- Name and phone number of health plan or administrator
- Monthly premium amount
- Monthly premium due date
- Dates of coverage
- Health plan identification number(s)
- Address where you individuals' mail payments



- ▲ *If necessary*, the bill must also show:

- Dollar amounts for family members who do not meet the HCTC eligibility requirements
- Other dollar amounts that do not count towards the HCTC (such as dental or vision coverage)



Important information is sometimes on the *back* of the health insurance bill and on the payment stub that individuals mail to the health plan.

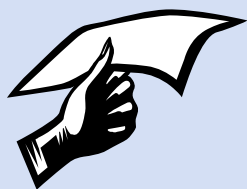
### Individuals with COBRA Must Send **One** of the Following Documents



- ▲ A copy of the completed, signed COBRA Election Letter  
*or*
- ▲ A letter from the former employer or COBRA administrator saying the individual has COBRA. The letter must have:
  - The COBRA start and end dates
  - Name of the health plan
  - Individual's home address
  - Covered family members, their dates of birth, their relationship to the individual and their Social Security Numbers*or*
- ▲ A copy of the “Notice of Rights to Continue Coverage” and proof the individual has have paid the bill (a cancelled check or a credit card/bank statement dated within the past 60 days)

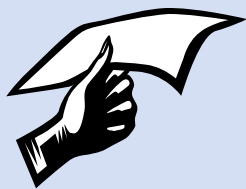


### Individuals with Non-group/Individual Plans Must Send **Both** of the Following Documents



A letter or other document from the former employer or unemployment office that shows the individual's last paid day of work

*and*



A document from the health plan showing first date of coverage



*The first day of coverage in a Non-group/ Individual health plan must have been at least 30 days before the individual left work.*

## Common Errors Made on the Registration Form

- ▲ Not sending in the correct documents for all health plans on the account (details on page 8 of the Registration Form)
- ▲ Not reading the entire question, such as filling out the section for “family members on a separate health plan” when their family members are on the same plan (pages 6 and 7)
- ▲ Not signing the Registration Form (page 10)
- ▲ Not making a copy of the completed Registration Form to keep for their records



Registration errors lead to a delay in receiving the monthly credit!



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# Responsibilities for HCTC Participants

### **While Enrolled in the Monthly Credit Program, Participants Must:**

- ▲ Send their payment to the HCTC Program by the due date on the HCTC invoice – no late payments accepted
- ▲ Notify the HCTC Program of any changes to their account via the HCTC Registration Update Form. Changes can include:
  - New health plan premium
  - New health plan
  - Add a family member
  - Drop a family member who is no longer eligible
  - Change in eligibility type
- ▲ Make sure their payments are up to date with their health plan



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## Available Materials & Contact Information

## HCTC Materials for States, Unions, RR Teams

- ▲ HCTC Brochures
- ▲ Rapid Response Guides
  - TAA/ATAA: *Registration To-Do List and Employer Information Guide*
  - PBGC: *Registration To-Do List and Employer Information Guide*
  - Rapid Response Teams: *HCTC Guide for State Rapid Response Team*
- ▲ Train-the-Trainer Presentation

Order HCTC Brochures through the HCTC Customer Contact Center. Other materials are only available on the HCTC website at [www.irs.gov](http://www.irs.gov) (IRS Keyword/Search: HCTC).

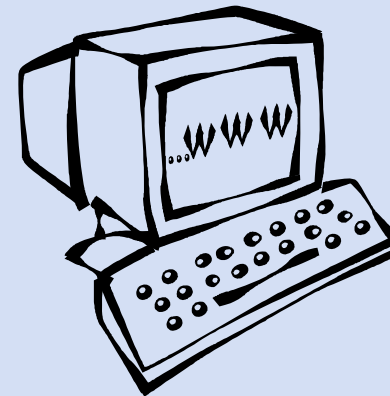
## Contact Information



HCTC Customer Contact Center: 1-866-628-HCTC  
(4282)

If you have a hearing impairment: 1-866-626-4282 (TTY)

[www.irs.gov](http://www.irs.gov) (IRS Keyword/Search: HCTC)





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**Questions?**



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**Thank you!**