

<b>EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210</b>	<b>CLASSIFICATION</b> UI - TRA/HCTC
	<b>CORRESPONDENCE SYMBOL</b> OWS/DUIO
	<b>DATE</b> April 3, 2009

**ADVISORY:** UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 21-09

**TO:** STATE WORKFORCE AGENCIES

**FROM:** DOUGLAS F. SMALL /s/  
Deputy Assistant Secretary

**SUBJECT:** Health Coverage Tax Credit (HCTC) for Eligible Trade Adjustment Assistance (TAA) Recipients

1. Purpose. To advise states of the amended definition of an “eligible TAA recipient” for purposes of the HCTC administered by the Internal Revenue Service (IRS).
2. References. Sections 1899A, 1899B, and 1899C of Division B of the American Recovery and Reinvestment Act of 2009, Public Law (P.L.) No. 111-5 (the Recovery Act), enacted February 17, 2009; the Trade Adjustment Assistance Reform Act of 2002 (P.L. No. 107-210); Section 35 of the Internal Revenue Code (IRC) of 1986 (26 U.S.C. 35); Training and Employment Guidance Letter (TEGL) No. 10-02, TEGL No.11-02, and Changes 1, 2, and 3; Unemployment Insurance Program Letter (UIPL) No. 02-03; UIPL No. 05-03; and UIPL No. 33-03.
3. Background. The Trade Adjustment Assistance Reform Act of 2002 created a Federal tax credit, the HCTC, which subsidizes private health insurance coverage for individuals in the TAA program identified as “eligible TAA recipients” and “eligible alternative TAA recipients.” (See UIPL Nos. 02-03, 05-03, and 33-03.) Sections 1899A and 1899B of the Recovery Act, amended Sections 35(a) and 7527(b) of the IRC of 1986 by adding a new section, Section 7527(e), to provide for 80 percent reimbursement of health insurance costs beginning May 2009 and through December 2010, and to provide for certain retroactive payments. Section 1899C of the Recovery Act amended the definition of an “eligible TAA recipient.” This UIPL discusses and provides guidance to states regarding this new definition. Operating instructions addressing other changes that the Recovery Act made to the TAA program will be issued in the near future via a TEGL. Those other changes, which the forthcoming TEGL will address, include an expansion of the deadline for enrollment in training and other training requirements that will become effective for workers certified under petitions filed on or after May 18, 2009.
4. HCTC Changes. Section 1899A of the Recovery Act amended Section 35(a) of the IRC to improve the affordability of the tax credit by covering 80 percent (up from 65 percent) of the premium amount paid by eligible individuals for qualified health insurance beginning May 2009 and through December 2010, and Section 1899B made these premium amounts

<b>RESCISSIONS</b> None	<b>EXPIRATION DATE</b> Continuing
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retroactive to coverage months beginning after December 31, 2008. The IRS will advise individuals of these changes, as appropriate.

The new definition of an “eligible TAA recipient,” as amended by Section 1899C, is effective March 2009 through December 2010. An “eligible TAA recipient” continues to be defined as an individual who receives Trade Readjustment Allowances (TRA) for any day of a month (and the next month following the last month the individual meets this definition) or who would receive TRA but for the fact that s/he has not exhausted unemployment compensation (UC) entitlement, and is, therefore, potentially eligible for the HCTC for that month. In addition, Section 1899C added a Special Rule to Section 35(c)(2), to provide that, for any “eligible coverage month” (that is, any month an individual is eligible for the HCTC) from March 2009 through December 2010, an eligible TAA recipient also includes an individual, who:

- is in a break in approved training that exceeds 30 days, and the break falls within the period for receiving TRA provided under the Trade Act. (*See* TEGL No. 11-02, paragraph D.4., *Limitations on TRA* for an explanation of the “period for receiving TRA.”), or
- is receiving UC (which includes regular UC, extended benefits (EB), and emergency unemployment compensation (EUC)) for any day of such month and who would be eligible to receive TRA (except that s/he has not exhausted UC) for such month, without regard to the enrollment in training requirements. (*See* TEGL No. 11-02, paragraphs D.2 and D.3, and TEGL No. 11-02, Change 3 for an explanation of the training requirement(s) in effect for petitions filed prior to May 18, 2009. Forthcoming operating instructions will provide guidance on the requirements applicable to petitions filed on or after that date ).

5. HCTC Data Transmissions. States are currently transmitting records of “eligible TAA recipients” to the IRS via the UC Interstate Connection (ICON) network. There is no change in the way this information is transmitted. The amended definition (Special Rule) became effective for the month of March 2009, therefore in addition to identifying and reporting (to the IRS) individuals as “eligible TAA recipients” who are receiving TRA (or would be receiving TRA except for not having exhausted UC), states must:

- identify and report (to the IRS) individuals as “eligible TAA recipients” who are not receiving TRA because of a break in approved training that exceeds 30 days, if such individuals are within the period for receiving TRA specified under the Trade Act; and
- identify and report (to the IRS) individuals as “eligible TAA recipients” when they are receiving UC without regard to whether the individuals have met the applicable enrollment in training deadlines/requirements while receiving such UC benefits.

6. Administrative Costs. National Emergency Grant (NEG) funds are available to cover administrative costs for HCTC-related activities including those described in this UIPL. States should submit requests for funding according to the application procedures for NEG funds as specified in TEGL No. 10-02.

7. Action. State Administrators are to provide this information to appropriate staff.
8. Inquiries. Please direct all inquiries to the appropriate regional office.
9. Attachments. Text of Sections 1899A, 1899B and 1899C of the Recovery Act