



INFORMATION BULLETIN
HELPS Tax Break for
Police and Fire Retiree Medical Insurance Payments
November, 2023

Please be sure your retired members are aware that they may reduce their taxable earnings by up to \$3,000 for medical insurance premiums paid during a calendar year. This is allowable under the Healthcare Enhancement for Local Public Safety Retirees Act, or the “HELPS” Retiree Act.

Previously, there was a requirement that the premium had to be deducted from the retiree’s pension check in order to qualify for HELPS credit. That is no longer the case following the adoption of the federal Secure 2.0 retirement law. Any premium paid for health, accident or long-term care insurance qualifies for the credit.

Note that the \$3,000 reduction does not appear on the annual 1099R form that is sent out by the pension fund. The retiree must claim the reduction on his or her personal 1040 tax form on Line 5B or similar adjustment. Instructions on claiming the reduction are included in IRS Publication 575 (page 7), which is reproduced on page 2 of this *IPPPFA Information Bulletin*. As this is not a simple matter, it is recommended that pensioners consult with their tax preparer to properly claim the reduction. If your pension benefits are administered by a pension administration company, you may obtain additional information by contacting that company.

Note that married couples where both the parties are retired police/fire/EMS may take a reduction in income of up to \$6,000.

Let’s do what we can to ensure that our retired members can take advantage of this tax break for retiree medical insurance.

IRS Publication 575, Pension and Annuity Income

The current section of IRS Publication 575 (page 7), **Insurance Premiums for Retired Public Safety Officers**, is reproduced below, as well as the update section for 2022. You or your tax professional may wish to verify that there is not a newer version by visiting [irs.gov](https://www.irs.gov).

Insurance Premiums for Retired Public Safety Officers.

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for accident or health insurance or long-term care insurance. The premiums can be for coverage for you, your spouse, or dependents. The distribution must be made directly from the plan to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or \$3,000. You can only make this election for amounts that would otherwise be included in your income. The amount excluded from your income can't be used to claim a medical expense deduction.

An eligible retirement plan is a governmental plan that is a:

- Qualified trust,
- Section 403(a) plan,
- Section 403(b) annuity, or
- Section 457(b) plan.

If you make this election, reduce the otherwise taxable amount of your pension or annuity by the amount excluded. The amount shown in box 2a of Form 1099-R doesn't reflect this exclusion. Report your total distributions on Form 1040, 1040-SR, or 1040-NR, line 5a. Report the taxable amount on Form 1040, 1040-SR, or 1040-NR, line 5b. Enter "PSO" next to the appropriate line on which you report the taxable amount.

If you are retired on disability and reporting your disability pension on Form 1040 or 1040-SR, line 1; or Form 1040-NR, line 1a, include only the taxable amount on that line and enter "PSO" and the amount excluded on the dotted line next to the applicable line.

What's New (page 2): The direct payment requirement for certain distributions for payment of health or long-term care insurance, repealed. Distributions from governmental plans to an eligible retired public safety officer made after December 29, 2022, for health and long-term care insurance can be excluded from that employee's gross income whether the premiums are made directly to the provider of the accident or health plan or qualified long-term care insurance contract by deduction from a distribution from the eligible retirement plan or is made to the employee. The amount which may be excluded from gross income for the taxable year can't exceed the lesser of \$3,000 or the amount paid for the insurance.