Notice Regarding Public Safety Officers' Tax Savings on Health Insurance Premiums

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), the federal Pension Protection Act of 2006 (PPA) might benefit you. It allows you to exclude up to $3,000 of your qualified health, accident and long-term care insurance premium from your gross taxable income each year as long as the premiums are also deducted from your retirement benefit. This would apply to any retiree under the City of Cocoa Firefighters' Retirement Plan that also has their health insurance coverage through the City.

The premiums can be for coverage for you, your spouse, or dependents. The distribution must be made directly from the Retirement Plan to the City. 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 not be used to claim a medical expense deduction.

Please note that the taxable income, shown in box 2a on your 1099-R, will not be adjusted for your insurance premium deductions. If you are an eligible, you take the exclusion yourself on your income tax return. See the Form 1040 or Form 1040A Instructions for information on how to complete the form to take the exclusion.

In the event of an IRS audit, it will be the responsibility of each member to substantiate his or her public safety officer eligibility. For questions regarding legal or tax matters, consult with a professional advisor.

You can read more about the income tax exclusion in IRS Publication 575, *Pension and Annuity Income*, and the IRS Form 1040 and Form 1040A instructions. (See Question 5.)

Please contact the Administrator for the Plan if you are a retiree with health insurance coverage through the City and would like to have your insurance premiums deducted from your pension check to take advantage of the PPA.