



HELPS Retirees Act Premium Deduction Program

Frequently Asked Questions

Retirement Systems of Alabama
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General Information

1. What is this program?

The Healthcare Enhancement for Local Public Safety (HELPS) Retirees Act permits eligible retired public safety officers to use up to \$3,000 per year from their defined benefit plan, to pay for healthcare insurance premiums or long-term care premiums. The reason for the program is that eligible, retired public safety officers who participate in the program can take advantage of federal regulations that allow an income tax exclusion. The income tax exclusion can be used to reduce taxable income on an officer's federal income tax return. Under current law, the money must be paid directly from the defined benefit plan to the health or long-term care insurance company.

Effective January 1, 2023, the RSA will directly pay the amounts deducted from an officer's monthly retirement payment to the officer's insurance provider on behalf of the officer. Your insurance provider could be a former employer if the healthcare program is a self-insured plan that agrees to the program.

2. Where can I find more information about the retired public safety officer federal income tax exclusion?

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.

Program Eligibility

3. Who is eligible to participate in this program?

An individual who, by reason of disability or attainment of normal retirement age, is separated from service as a public safety officer with the employer who maintains the eligible retirement plan from which distributions subject to paragraph (1) are made.

Eligible retired public safety officers as defined by the Internal Revenue Code include law enforcement officers (including police, corrections, parole, probation, and judicial officers), firefighters, members of a rescue squad or ambulance crew, or chaplains to a fire or police department who have retired and are drawing a retirement benefit from the Retirement Systems of Alabama (RSA).

4. I retired as a public safety officer. Who can tell me if I'm eligible for this program?

It is the responsibility of each individual to determine their eligibility based on the federal regulations. If you are unsure about your eligibility for the program, contact your tax advisor or the IRS.

5. I worked as a public safety officer for many years, but I retired in a different position. Am I still eligible?

No. You must have retired as a public safety officer to be eligible. Your retirement as a public safety officer also must have been from the employer who has the retirement plan from which you are receiving a benefit. Your insurance premium deduction must be taken from this retirement benefit.

6. I retired due to a disability. Am I eligible?

Yes. One requirement for eligibility in the program for officers with a disability is that you must have retired as a public safety officer through a disability and are receiving a retirement benefit.

Income Tax Exclusion

7. How do I take the income tax exclusion for my payment of health insurance premiums?

If you are an eligible, retired public safety officer, you can take this tax exclusion on your IRS Form 1040 or Form 1040A annual income tax return. See the Form 1040 or Form 1040A Instructions for information on how to complete the form to take the exclusion.

8. How much can I exclude from my taxable income?

If you are eligible, you can exclude up to a maximum amount of \$3,000 per tax year. The amount you exclude cannot be greater than the insurance premium amount deducted from your retirement payments for the tax year. This is the limit of the exclusion even if you are receiving and having insurance premium deductions taken from multiple pension benefits.

9. How will I know how much I paid in health insurance premiums for the year?

Every January the RSA will provide you a letter with the total amount of health insurance premiums that you deducted from your retirement payments in the previous calendar year.

HELPS Retirees Act Premium Deduction Program Frequently Asked Questions (continued)

Income Tax Exclusion (continued)

10. Will the amount of taxable income reported to me on my RSA 1099-R tax statement be adjusted to reflect paid health insurance premiums?

No. Taxable income, shown in box 2a on your 1099-R, will not be adjusted for your insurance premium deductions. If you are an eligible, retired public safety officer, you take the exclusion yourself on your income tax return.

11. Does the income tax exclusion apply to health insurance premiums deducted from my retirement benefit to cover my spouse and dependents?

Yes. The tax exclusion applies as long as you, the eligible retired public safety officer, are the recipient of the retirement benefit payments.

12. Is the income tax exclusion passed on to my surviving spouse or dependents following my death?

No. The tax exclusion applies only to an eligible retired public safety officer. The tax exclusion does not extend to your spouse or dependents following your death.

Insurance Qualifications

13. Do my health insurance premiums qualify for the income tax exclusion?

For your health insurance premiums to qualify, they must meet **all** of the following criteria:

- a. Cover medical, dental, vision, and/or long-term care insurance, as defined in federal regulations, and
- b. Provide coverage for you, your spouse, or your dependents, and
- c. Be deducted from your monthly retirement payment and sent directly to your insurance provider by the RSA.

14. Do premiums paid to self-insured plans qualify for this income tax exclusion?

Yes. An IRS correction was issued that allows premiums paid to self-insured insurance plans to qualify for the tax exclusion.

15. Will the RSA make direct payments to my insurance provider on an annual, semi-annual, or quarterly basis for my health insurance premiums?

No. The RSA can only make direct health insurance premium payments to insurance providers monthly, when retirement payments are made to you.

16. Can I pay the health insurance premiums myself and still qualify for the income tax exclusion?

No. The RSA must deduct your health insurance premiums from your monthly retirement payment and send the premiums directly to your insurance provider.

Program Election

17. How do I sign-up for this program to have my health insurance premiums deducted from my retirement payments?

If you are eligible to participate in the program, complete the HELPS RETIREES ACT PREMIUM DEDUCTION PROGRAM form. Check the "Add Deduction" box on the form. With this form, you are arranging to have premiums deducted from your retirement and sent to your insurance provider on a monthly basis. You may include up to two different insurance providers on this form. If you need to include more than two insurance providers, please call the RSA at 877.517.0020 or 334.517.7000.

18. What terms and conditions apply if I participate in the program?

The terms and conditions applicable to this program are listed on the authorization form. You should carefully read them. In completing the form, you must sign that you have read and agree to the terms and conditions.

19. If I submit the authorization form, how long will it take to be processed?

After receipt of a properly completed authorization form, the RSA must process the form and verify the insurance provider's information. If the form is received by the 5th of the month, then it will be deducted from the retirement payment that same month.

20. How often can I change the amount I am having deducted for my health insurance premiums?

You can change the amount that you are having deducted whenever you wish. Complete the authorization form, check the "Change Deduction" box and provide the new amount to be deducted. Submit the form to the RSA and notify your insurance provider. When processing is completed by the RSA, the new deduction amount will be taken on your next retirement payment. The RSA cannot process retroactive adjustments to change the amount of premiums deducted for a month under this program. You must submit an authorization form to change your monthly premium deduction amount. All changes will apply to future premium deductions only.

HELPS Retirees Act Premium Deduction Program Frequently Asked Questions (continued)

Program Election (continued)

21. How do I cancel my participation in the program?

You can cancel participation in the program and stop your health insurance premium deduction at any time. Your cancellation must be in writing. To cancel, complete the authorization form and check the "Stop Deduction" box. Submit the form to the RSA and notify your insurance provider. When processing is completed by the RSA, the deduction will not be taken on your next retirement payment.

22. If I cancel participation in the program can I participate again at a later date?

Yes. You can participate in the program at any time by completing the authorization form.

23. Do I need to renew my election for this program each year?

No. You do not need to renew your election each year. Once you have elected to participate in the program by submitting the HELPS RETIREES ACT PREMIUM DEDUCTION PROGRAM form, your election remains in effect until you or your insurance provider cancel in writing.

24. Can I have insurance premium amounts taken from my retirement payments refunded to me?

No. The RSA cannot refund insurance premiums taken under this program. If you are entitled to a refund, you must contact your insurance provider.

25. Is there a limit on how much I can have deducted from my retirement payment for insurance premiums?

No, there is not a limit on deduction amount for a month or for a year. You can have any amount deducted monthly for insurance premiums as long as your retirement payment is sufficient to cover the deduction after all your other deductions, such as federal income tax withholding, are taken. The federal income tax exclusion is limited to \$3,000 annually but the RSA will continue to take the monthly deduction amount from your retirement payment that you requested even after the deductions in total exceed \$3,000 in a calendar year.

26. If I am covered under a State of Alabama group insurance plan and my insurance premiums are being deducted from my retirement payment, do I need to elect to participate in this program?

Yes. You must elect to participate in this program. By filing this election, you certify you are an eligible retired public safety officer and meet all the federal regulations.

27. If I am covered under a State of Alabama group insurance plan and I also have other health insurance, can I participate in this program for the other health insurance that I have?

Yes. You can elect to participate in the program to have insurance premiums deducted from your retirement payment for medical, dental, vision, and long-term care insurance that you obtain from plans other than State of Alabama group insurance plans.

28. Would my election to participate in the program change the federal income tax withholding on my monthly pension payment?

No. Your monthly federal income tax withholding will not automatically change if you participate in the program. You can change your federal withholding at any time by completing the WITHHOLDING CERTIFICATE FOR PERIODIC PENSION OR ANNUITY PAYMENTS form. You can obtain this form from the RSA website or by contacting the RSA at 877.517.0020 or 334.517.7000.

Additional Information

29. Where can I find more information on the HELPS Retirees Act Premium Deduction Program?

You can find more information about the program on RSA website at rsa-al.gov. If you have questions, you can contact us through the RSA website or by calling 877.517.0020 or 334.517.7000.

You may also read more about the law at the IRS website at www.irs.gov/irb/2007-52_IRB#NOT-2007-99.