

## **PENSION PROTECTION ACT OF 2006 FOR SWORN LOS ANGELES WORLD AIRPORT EMPLOYEES ENROLLED IN A LACERS MEDICAL PLAN FACT SHEET**

This communication provides information regarding eligibility requirements for certain retired public safety officers. Those who meet eligibility requirements may have an exclusion from gross income of up to \$3,000 per year for health and dental insurance premiums paid directly by their retirement system. This exclusion became effective beginning tax year 2007.

The IRS issued guidance in their instructions for Forms 1099-R and 5498 regarding the \$3,000 qualified health insurance premiums exclusion for eligible retired public safety officers. The IRS advises that no special reporting is required for the exclusion.

### **THE FOLLOWING IS A SUMMARY OF THE RULES:**

#### ***What does the law provide?***

- The law says that eligible public safety retirees may exclude insurance premiums paid directly by their retirement system for health care or long-term care, up to \$3,000 per year.

#### ***Who is a qualified public safety employee?***

- All retired Los Angeles firefighters and sworn peace officers who retired on or after achieving eligibility for normal retirement or who retired on a disability retirement are eligible.
- Vested Members who left prior to being able to retire are not covered.
- If you worked as a firefighter or sworn peace officer, but retired from the City in a different employment category, you are not covered.

#### ***Does it cover only my individual premiums or does it apply to family members?***

- The retiree can use the exclusion for his or her own premium or the amount of premium covering a spouse or dependent. A dependent has to be someone for whom you can take a deduction on your tax return.
- Your individual tax advisor or accountant should be consulted on who qualifies as a dependent.

#### ***Is a domestic partner a spouse?***

- No. A domestic partner is not a spouse. A spouse must be a person to whom you are legally married.
- A domestic partner may be claimed as a dependent if he or she otherwise qualifies as a dependent for tax purposes.

#### ***If I am legally married to another retired Member of LACERS who is also peace officer, do we each get to claim up to \$3,000 exclusion?***

- Yes, as long as your individual premiums are at least \$3,000 per year.

***Are there any rules about how the premium is paid?***

- Yes. The pension plan must pay the premium directly to the provider of the health or long-term coverage. Money paid directly by the retiree does not count. As such, LACERS Medical Premium Reimbursement Program participants are not qualified for this tax benefit.

***I heard that I can claim the \$3,000 exclusion from several plans. Is that true?***

- No. The total that can be claimed by a retiree for premiums paid for the retiree, spouse, and dependents is the actual amount of the premium, up to \$3,000 from all sources.

***Are qualified surviving spouses and domestic partners eligible to claim the exclusion?***

- No. The benefit terminates with the Retired Member.

***Are all insurance plans covered in this program?***

- No. The coverage is limited to the plans maintained by LACERS.

For information or questions regarding the Pension Protection Act of 2006, please consult your individual tax advisor or accountant.

*(Revised and re-printed from Los Angeles Fire and Police Pensions)*

LACERS benefits are governed by the Los Angeles Administrative Code, Los Angeles City Charter, the Rules of LACERS' Board of Administration, and the Internal Revenue Code. These Codes and Rules are subject to change. If there are any discrepancies between those governing authorities and the information in this sheet, the governing authorities have precedence.