



Health Coverage Tax Credit Increased

November 22, 2011

On October 21, 2011, the President signed the Trade Adjustment Assistance Extension Act of 2011 into law. This bill increases the amount of the Health Coverage Tax Credit and expands the population that is eligible to receive it. The following provisions are effective until January 1, 2014:

- Tax Credit Percentage increases from 65% to 72.5%
 - Starting with January 2012 invoices, the Monthly HCTC will pay 72.5% of qualified health insurance premiums, and participants will pay 27.5%.
- Additional 7.5% Retroactive credit available to monthly HCTC participants
 - Participants who received the 65% tax credit through the Monthly HCTC in any month from March - December 2011, are eligible to claim an additional 7.5% retroactive credit and can file Form 8885 with their Form 1040, *U.S. Individual Income Tax Return* to claim this amount.
 - Instructions on how to claim this additional credit will be included with the Form 1099-H, *Health Coverage Tax Credit (HCTC) Advance Payments*, which will be mailed by January 31, 2012.
- HCTC Extended Eligibility for Qualified Family Members
 - Qualified family members of TAA recipients or PBGC payees who enroll in Medicare, pass away, or finalize a divorce, are eligible to receive the HCTC for up to 24 months from the month of the event, or until January 1, 2014.
 - This provision applies to all months in the 2011 tax year, therefore payments made directly to a qualified health plan for qualified family members can be claimed by filing Form 8885 with a federal income tax return. Eligible taxpayers that plan to claim this credit, who were not enrolled in the monthly HCTC program in January or February 2011, must call the HCTC Customer Contact Center to ensure that the Form 8885 is processed correctly.
 - Starting in January 2012, qualified family members will be able to register for the Monthly HCTC. Qualified family members are also eligible to enroll in a state qualified health plan. More information will be available in January.
- Voluntary Employee Beneficiary Associations (VEBAs)
 - If an individual chooses a health plan through a VEBA established as a result of a former employer's bankruptcy, the VEBA will remain qualified for the HCTC. A separate VEBA Attestation Form is no longer required when registering for the monthly HCTC program with a qualified VEBA.

- Extension of COBRA coverage
 - TAA recipients and PBGC payees whose COBRA end date is on or after November 21, 2011 are eligible for COBRA coverage extensions through their former employer.
 - TAA recipients are eligible for COBRA coverage extensions for as long as they have TAA eligibility or until January 1, 2014.
 - PBGC payees are eligible for COBRA coverage extensions until January 1, 2014. If the payee passes away, their spouse or dependents are able to receive an additional 24 months of COBRA, or until January 1, 2014.
 - Monthly participants with an upcoming COBRA end date will receive a COBRA Extension Letter 3 months before their cancellation from the HCTC Program. This letter can be provided to their former employer to prove that their COBRA coverage should be extended.
 - Individuals should contact the HCTC Program if their former employer agrees to extend their COBRA coverage. The participant must provide their new COBRA end date to the HCTC Program at least 10 business days before their COBRA end date. They can call the HCTC Customer Contact Center or submit an HCTC Registration Update Form to notify the program of this change. When submitting the HCTC Registration Update Form, complete all applicable sections. In Part 3, select "Change information about my current health insurance" and in the "Reason for Update" section, write "Update my COBRA end date." When filing out Part 5, be sure to include your new COBRA end date.
- Reimbursement Requests

Starting in January 2012, monthly HCTC participants will be able to request reimbursement for payments made to qualified health plans while they were eligible and enrolling in the monthly HCTC program. However, due to the anticipated length of time to process reimbursement requests, individuals are strongly encouraged to claim their credit through the Yearly HCTC by filing Form 8885 with their federal income tax return.

More information will be available in January.