

Part III. Administrative, Procedural, and Miscellaneous

Information Reporting for Advance Payments of Health Coverage Tax Credit

Notice 2004-47

PURPOSE

This notice provides that the HCTC Transaction Center (Transaction Center), as an administrator of the Health Coverage Tax Credit (HCTC), will file and furnish the information returns and statements required by § 6050T of the Internal Revenue Code, unless the health insurance provider notifies the Transaction Center that the provider will file and furnish information returns and statements.

BACKGROUND

Health Credit

Section 35 provides that under certain conditions, individuals affected by foreign trade competition or receiving benefits from the Pension Benefit Guaranty Corporation may claim the HCTC for a portion of their health insurance expenses. The credit is 65 percent of the eligible individual's expenses for qualified health insurance coverage.

Advance Payment of the Health Credit

Section 7527 provides for advance payment of the credit, in the form of payments from the Treasury Department to the individual's health insurance provider. Such payments reduce the premiums the individual would otherwise owe the provider and, accordingly, reduce the amount of the HCTC available to be claimed on the eligible individual's income tax return.

Information Reporting of Advance Payments

Section 6050T requires the providers to file information returns with the Service reporting advance payments the providers receive from the Treasury Department, and to furnish the insureds an information statement showing the information filed with the Service. The returns required of providers under § 6050T must contain, among other things, the name, address, and taxpayer identification number of insureds who have been declared eligible to benefit from the advance payments described in § 7527. The information returns and statements required by § 6050T enable the Service and taxpayers to ensure that taxpayers do not claim excessive credits on their income tax returns. Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments, has been developed for providers to use in meeting this reporting obligation.

ADMINISTRATION OF THE PROGRAM

The Treasury Department is administering the HCTC program by using a HCTC Customer Contact Center and a HCTC Transaction Center to perform various administrative duties relating to the program. The Transaction Center will, among other things, collect the insured's portion of the premium and forward the total premium, which includes the advance payment, to health insurance providers through health plan administrators.

INFORMATION REPORTING OBLIGATIONS OF HEALTH INSURANCE PROVIDERS UNDER THE HCTC PROGRAM

Under the program developed to administer the HCTC advance payment program, the Transaction Center will know the amount of those advance payments, and the identity of the individuals who benefit from the payments. Accordingly, the Transaction Center will have the information that the health insurance provider would otherwise have to file with the Service (and furnish to the insureds) pursuant to § 6050T. The Treasury Department and the Service believe that it is in the interest of sound tax administration to allow health insurance providers to use the Transaction Center to satisfy their information reporting obligations under § 6050T and not require the providers to file information returns with the Service or furnish information statements to the insureds. A health insurance provider receiving advance payments from the Transaction Center will be deemed to have elected to have the Transaction Center file these information returns and furnish these statements unless the provider notifies the Transaction Center that the provider will file Forms 1099-H with the Service and furnish those forms to insured individuals. Therefore, unless the health insurance provider notifies the Transaction Center that the provider will file and furnish information returns and statements under § 6050T, the Transaction Center will take those actions instead. The Transaction Center may be contacted for this purpose by calling 1-866-628-4282.

WAIVER OF PENALTIES

Section 6724(a) authorizes the Service to waive any penalties for failures to comply with § 6050T if such failures resulted from reasonable cause and not willful neglect. The Service will not assert the penalties imposed by §§ 6721 and 6722 for information returns and statements required to be filed and furnished regarding advance payments made to health insurance providers against providers that elect to allow the Transaction Center to file and furnish Forms 1099-H. If a health insurance provider does not elect to allow the Transaction Center to file and furnish Forms 1099-H, the normal rules for seeking a penalty waiver under §6724(a) will apply. (See § 301.6724-1 of the Regulations on Procedure and Administration.)

CONTACT FOR INFORMATION

The principal author of this notice is Nathan Rosen of the Office of the Associate Chief Counsel (Procedure & Administration), Administrative Provisions and Judicial Practice Division. For further information regarding this notice, contact Nathan Rosen at (202) 622-4910 (not a toll-free call).