

# Health Coverage Tax Credit

## Program Kit



Introducing a new program that can pay nearly  
two-thirds of your health plan premiums.

**HCTC** | Health Coverage  
Federal • State • Private Industry | Tax Credit

# What You Need to Know and Do in Five Steps



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Since you have received this kit, you may be eligible to claim the Health Coverage Tax Credit (HCTC). This important benefit pays 65% of your qualified health plan premiums for as long as you remain eligible. That means you can save 65 cents out of every dollar you're paying now. You can even claim the credit if you don't owe any federal income tax.

Please note that this is not a government health insurance program; it is a federal tax credit.

In general, you may claim this credit if:

- You are receiving certain Trade Adjustment Assistance (TAA) benefits,
- You are receiving benefits under the Alternative Trade Adjustment Assistance (ATAA) program, or
- You are receiving benefits from the Pension Benefit Guaranty Corporation (PBGC) and you are at least 55 years old

In addition, you must be enrolled in a qualified health plan (see Step 2, "Determine if Your Health Plan Is Qualified" to learn what plans qualify).

There are two ways to receive the credit:

- As an advance tax credit to help pay for monthly health plan premiums as they become due, or
- As a lump sum when you file your federal tax return

This kit will take you step by step through the process of claiming the HCTC; from determining whether you are eligible to receiving the credit. If you appear to be eligible, this kit will guide you through the registration process. Please follow the instructions carefully so you and your family can receive the full benefit of this program. If you have any questions about the information provided, please contact the HCTC Customer Contact Center. Complete contact information can be found on page 17.

Health Coverage  
Tax Credit

## Verify Your Eligibility



*The first step in claiming the credit is finding out if you are eligible.*

**Do any of the following describe you?** If you fit into any of the following categories, you may be eligible to receive the credit:

1. You receive a Trade Readjustment Allowance (TRA) under the Trade Adjustment Assistance (TAA) program.
2. You are eligible for TRA under the TAA program but have not used up your unemployment insurance (UI) benefits.
3. You receive benefits under the Alternative Trade Adjustment Assistance (ATAA) program.<sup>1</sup>
4. You receive pension benefits from the Pension Benefit Guaranty Corporation (PBGC) or you received a lump sum payment from the PBGC after August 5, 2002 and you are at least 55 years old. You also qualify if you **currently** receive benefits as a survivor, a beneficiary, or an alternate payee under a qualified domestic relations order and you are at least 55 years old.

If you have questions about TRA benefits under TAA or about ATAA, you can call your local state workforce agency for more information. You can also contact the Department of Labor Employment and Training Administration at 1-877-US-2JOBS.

If you have questions about pension benefits from the PBGC, you can call them at 1-800-400-7242.

<sup>1</sup> If you register for the tax credit under TAA and then become a participant in ATAA, you must re-register and re-qualify for the HCTC at that time.

**You are not eligible for the HCTC if any of the following applies to you:**

- You are enrolled in a health plan maintained by your or your spouse's current or former employer that pays at least 50% of the cost of coverage<sup>2</sup>
- You are entitled to Medicare Part A or enrolled in Medicare Part B
- You are enrolled in the Federal Employees Health Benefits Program (FEHBP), Medicaid, or State Children's Health Insurance Program (SCHIP)
- You are entitled to health coverage through the U.S. military health system (TRICARE/CHAMPUS)<sup>3</sup>

**In addition, if you are an ATAA benefit recipient you are not eligible for the HCTC if either of the following applies to you:**

- You are enrolled in a qualified health plan (described on page 7, other than COBRA, state-based continuation coverage, or a special insurance program entered into by your state and an employer designed to qualify for the HCTC) and either your or your spouse's current or former employer pays any portion of the cost of coverage<sup>2</sup>
- You are eligible for coverage under a qualified health plan (described on page 7, other than COBRA, state-based continuation coverage, or a special insurance program entered into by your state and an employer designed to qualify for the HCTC), and either:
  - Your or your spouse's current or former employer would pay 50% or more of the cost of coverage, or
  - You or your spouse could pay for the premium on a pre-tax basis.

<sup>2</sup> Any share of your premium that is paid by you or your spouse on a pre-tax basis is considered to have been paid by your employer and must be included as such when determining the percentage of employer coverage.

<sup>3</sup> This does not include health coverage received as a Veterans Affairs (VA) benefit.

## Verify Your Eligibility, continued

### **Additional requirements for all HCTC candidates:**

- You must choose a qualified health plan (see Step 2, “Determine If Your Health Plan Is Qualified”).
- You must be enrolled in this qualified health plan on the 1st day of the month in which you plan to claim the credit.
- You can not be claimed as a dependent on someone else’s federal tax return
- As of the first day of the current month in which you are eligible, you are not imprisoned under federal, state or local authority

### **HCTC may cover your family too!**

If you are eligible, you can use the credit to help purchase qualified health coverage for your qualifying family members.

### **Qualifying family members are:**

- Your spouse, and
- Dependents that you can claim on your federal tax return (see note below)

You cannot claim the HCTC for a qualifying family member who is any of the following:

- Enrolled in a health plan maintained by your or your spouse’s current or former employer that pays at least 50% of the cost of coverage<sup>4</sup>
- Entitled to Medicare Part A or enrolled in Medicare Part B
- Enrolled in the Federal Employees Health Benefits Program (FEHBP), Medicaid, or State Children’s Health Insurance Program (SCHIP)
- Entitled to health coverage through the U.S. military health system (TRICARE/CHAMPUS)<sup>5</sup>

Note: Children of divorced or separated parents are treated as dependents of the custodial parent for the purposes of the HCTC. The non-custodial parent may not claim the credit even if she or he is entitled to claim the tax exemption for the child or carries the child’s health insurance.

<sup>4</sup> Any share of the family member’s premium that is paid by you or your spouse on a pre-tax basis is considered to have been paid by your employer and must be included as such when determining the percentage of employer coverage.

<sup>5</sup> This does not include health coverage received as a Veterans Affairs (VA) benefit.

# Determine if Your Health Plan is Qualified

## Step 2



***If you are eligible you also need to be enrolled in a qualified health plan.***

Remember, you must be enrolled in an HCTC-qualified health plan to claim the credit.

Please note that enrolling in a qualified health plan does not guarantee you will receive the HCTC.

A lapse in health coverage may affect your ability to obtain health coverage in the future. If you choose to end your current coverage to enroll in an HCTC-qualified plan, check if there is a time gap between the end date for your current coverage and your start date for the HCTC-qualified coverage. A gap in coverage means that you are uninsured for that time period.

The following types of health coverage are qualified for you:

- COBRA continuation coverage, unless the employer or former employer pays at least 50% of the cost of coverage<sup>6</sup>
- Individual coverage<sup>7</sup> in which you were enrolled for at least the last 30 days before you were separated from the job that made you eligible for TRA benefits, ATAA benefits, or payments from the PBGC.
- State-qualified health plans (you can get a current list by calling the HCTC Customer Contact Center or by visiting [www.irs.gov](http://www.irs.gov) and entering IRS keyword: HCTC)
- Your husband's or wife's insurance from work, if the employer contributes less than 50% of the total cost of coverage.<sup>6</sup> (At this time, you can only claim the credit with this type of coverage when you file your federal tax return and not in advance, unless it is COBRA coverage.)<sup>8</sup>

<sup>6</sup> Any share of your premium that is paid by you or your spouse on a pre-tax basis is considered to have been paid by your employer and must be included as such when determining the percentage of employer coverage.

<sup>7</sup> Individual coverage provided under a contract issued to one individual or family at a time usually requiring evidence of insurability and usually purchased through agents, brokers, or associations.

<sup>8</sup> If you qualify for the HCTC under ATAA, you may claim the HCTC to pay for this type of coverage (other than COBRA, state-based continuation coverage, or a special insurance program entered into by your state and an employer designed to qualify for the HCTC) only if the employer does not pay for any portion of the cost of coverage.

## Determine if Your Health Plan is Qualified, continued

**Are you currently uninsured?** If you do not have any health coverage and you think you're eligible for the HCTC, contact a qualified health plan to enroll. Verify the coverage terms with the health plan and decide if they are acceptable to you. Keep copies of all of your health plan invoices for your records.

**The HCTC may also cover your family members.** Your qualifying family members must also be enrolled in a plan qualified by the HCTC. They can be under your qualified health plan policy or have their own policy, provided that it is through an HCTC-qualified plan.

The following types of health coverage may be used to cover any of your qualifying family members:

- COBRA continuation coverage, unless the employer or former employer pays at least 50% of the cost of coverage<sup>9</sup>
- Individual coverage,<sup>10</sup> if you, the HCTC-eligible individual, had individual coverage for at least the last 30 days before you were separated from the job that made you eligible for TRA benefits, ATAA benefits, or payments from the PBGC
- State-qualified health plans (you can get a current list by calling the HCTC Customer Contact Center or by visiting [www.irs.gov](http://www.irs.gov) and entering IRS keyword: HCTC)
- Your husband's or wife's insurance from work, if the employer contributes less than 50% of the total cost of coverage.<sup>9</sup> (At this time, you can only claim the credit with this type of coverage when you file your federal tax return and not in advance, unless it is COBRA coverage).

**Note for COBRA continuation coverage recipients:** if your COBRA period is about to end, you may want to contact the HCTC Customer Contact Center to find out if another HCTC-qualified health plan is available to you.

***You must be enrolled in a qualified health plan to claim the HCTC.***

<sup>9</sup> Any share of your premium that is paid by you or your spouse on a pre-tax basis is considered to have been paid by your employer and must be included as such when determining the percentage of employer coverage.

<sup>10</sup> Individual coverage provided under a contract issued to one individual or family at a time usually requiring evidence of insurability and usually purchased through agents, brokers, or associations.





***Register yourself and your qualified family members by phone or by mail.***

You can receive the Health Coverage Tax Credit either monthly or when you file your federal tax return.

**We recommend you keep the following:** health plan policy information, health plan invoices, proof of payment, and HCTC program invoices.

**If you would like to receive your HCTC benefit monthly:**

You may register either by mail or by phone to receive the tax credit on a monthly basis.

**To register by phone:**

1. **Before** calling to register, please review all parts of the Registration Form in this kit to know what is required for a successful registration.
2. Enroll in an HCTC-qualified health plan, if you have not already done so (see Step 2, “Determine if Your Health Plan is Qualified” for more information).
3. Call the HCTC Customer Contact Center. Have the current month’s health plan invoice for you and any qualified family members when you call.
4. Send a copy of the current month’s health plan invoice for you and any qualified family members and a copy of your COBRA election letter (if applicable) in the postage-paid envelope provided to you. **Write your name and Social Security Number (SSN)/Taxpayer Identification Number (TIN) on these documents.** If you misplaced the envelope, mail these items to:

HCTC Processing Center  
P.O. Box 4700  
Waterloo, IA 50704

## Claim the Credit, continued

### **To register by mail:**

1. Please review all parts of the Registration Form in this kit to know what is required for a successful registration.
2. Enroll in an HCTC-qualified health plan, if you have not already done so (see Step 2, “Determine if Your Health Plan is Qualified” for more information).
3. Complete the HCTC Registration Form in this kit.
4. Enclose the completed Registration Form, a copy of the current month’s health plan invoice for you and any qualified family members and a copy of your COBRA election letter (if applicable) in the postage-paid envelope provided to you. If you misplaced the envelope, mail these items to:

**HCTC Processing Center  
P.O. Box 4700  
Waterloo, IA 50704**

5. If you have questions regarding the Registration Form, please contact the HCTC Customer Contact Center.

### **If you are successfully registered:**

You will receive a confirmation letter stating that you are successfully registered for the advance HCTC program. However, this does not complete all the steps necessary to be an active participant. Read your confirmation letter carefully. It includes steps you must follow to begin receiving the credit in advance.

With your confirmation letter, you will also receive an invoice from the HCTC program. Return your specified payment in the envelope included with this invoice. Once your first payment is processed successfully, you should send future payments to the HCTC program instead of to your health plan administrator.

For detailed payment instructions, see Step 4, “Make Your Payment.”

### Important notes on the advance tax credit

- Keep paying your insurance bill in full until you receive an invoice from the HCTC Processing Center (approximately four to six weeks after you mail in the Registration Form).
- You will receive Form 1099-H or substitute Form 1099-H. Form 1099-H provides the amount of advance tax credit you have received and the months for which you have received it during the calendar year. You will need it to complete IRS Form 8885, which should be used to claim the HCTC for those months in which you were eligible for but did not receive the advance credit.
- If you are eligible for the HCTC and you have health coverage through your husband's or wife's employer that is not COBRA continuation coverage, the advance tax credit option is not currently available to you. In such case, you may be able to claim the credit when you file your federal tax return.

### If you would like to claim the HCTC when you file your federal tax return

1. Continue to pay your qualified health plan premiums in full each month.
2. Complete IRS Form 8885 to claim the credit. Submit it with your IRS Form 1040, 1040NR, 1040SS, or 1040PR.

***You can receive the HCTC either monthly or when you file your federal tax return***

## Make Your Payment



***Estimate your monthly savings with the advance tax credit.***

The HCTC program will cover 65% of your eligible premium amount. The eligible premium amount covers major medical plans for you and qualifying family members.

**Please note:** Exceptions such as vision and dental coverage are not considered part of the eligible premium amount (except when your health plan includes them in your major medical care premium). Also, you must deduct the total of any eligible premium amounts you pay using funds from an Archer MSA (Medical Savings Account).

You may use the worksheet on page 14 to estimate your monthly payment responsibility if you receive the advance tax credit.

**How do I make my payment?** Each month you will receive an invoice from the HCTC Processing Center. You must pay your portion in full by the due date provided. Once your payment clears, the HCTC Processing Center will add the credit amount and submit the payment to your health plan administrator each month for as long as you are eligible for the program. Please note that late or missed payments may impact your participation in the advance HCTC program. If you miss the HCTC deadline for your payment, you should send your full premium amount to your health plan administrator in order to maintain coverage.

**The HCTC Processing Center will accept the following forms of payment:**

- Credit or Debit Card (Visa, MasterCard, American Express, Diners, Novus Services)
- Personal check
- Business check
- Money order
- Certified check
- Cashier's check

# Make Your Payment, continued

## Step 4

### **To pay by check:**

1. Make your check payable to “US Treasury – HCTC.” Your check must draw US funds from a US bank.
2. Write your HCTC Account Number on the check.
3. Enclose your check for the correct amount along with the payment coupon in the envelope provided with your invoice.

### **To pay by credit card:**

1. Write your credit card number and expiration date in the space provided on the payment coupon.
2. Enclose the payment coupon in the envelope provided with your invoice.

Send your payment to the US Treasury – HCTC. If you don't have the payment envelope that was sent with your invoice, you can send your payment to this address:

**US Treasury – HCTC  
P.O. Box 970023  
St. Louis, MO 63197-0023**

Until you receive your first invoice from the HCTC program, you should continue paying 100% of your health plan premium directly to your health plan administrator. Because registration may take 4 to 6 weeks to complete, you should budget to pay your full health plan premium during that time. You will be able claim the credit for that period when you file your federal tax return.

Make sure your health plan payments are up to date. The HCTC program is not responsible for any balance you owe prior to receiving the advance credit and will not bill you for this amount.

***You must pay your portion in full by the due date on the HCTC invoice.***

## Make Your Payment, continued

Once your first payment to the HCTC program is processed, you become an **active** participant in the advance HCTC program. For any period in which you are billed by the HCTC program, you do not need to send a payment to your health plan administrator, as long as you make your full payment to the HCTC program on time. However, you may continue to receive invoices from your health plan as before. (You should save these for your personal records.)

**If desired, use this worksheet to estimate your monthly payment responsibility. You will need your most recent health plan invoice. If you have qualifying family members on a separate policy for whom you wish to claim the credit, you should complete this worksheet again for that policy.**

1. Enter the total monthly premium paid for the health plan policy. (1) \_\_\_\_\_
2. Enter the total monthly premium paid for non-qualified family members on your policy. (2) \_\_\_\_\_
3. Enter the total of monthly premiums paid for exceptions on this policy (for example, vision and dental coverage). (3) \_\_\_\_\_
4. Enter the amount of your monthly premium that you pay using funds from an Archer MSA (Medical Savings Account). (4) \_\_\_\_\_
5. Add lines 2, 3, and 4. Enter the result here. This is your estimated total monthly **ineligible** premium amount. (5) \_\_\_\_\_
6. Subtract line 5 from line 1 and enter the result here. This is your estimated monthly **HCTC-eligible** premium amount. (6) \_\_\_\_\_
7. Multiply line 6 by 35% (.35) and enter the result here. (7) \_\_\_\_\_
8. Add lines 5 and 7. This is an estimate of your **total** monthly payment responsibility for this policy. (8) \_\_\_\_\_
9. Subtract line 7 from line 6. This is an estimate of what you will save each month through the HCTC. (9) \_\_\_\_\_

# Make Your Payment, continued

## Notify the HCTC Customer Contact Center of changes to any of the following:

- Qualified family member(s) status
- Health plan premium amount
- Health plan benefits
- Health insurance company
- Health insurance product (e.g., HMO, PPO, POS)
- Your personal information (e.g., your home address and phone number)
- Termination of health coverage
- Your HCTC eligibility

If you receive a letter from the HCTC program notifying you that you are no longer eligible for the advance tax credit, you should resume sending your full payment to your health plan administrator to maintain coverage.

### Notice to HCTC Participants Making Payment by Check

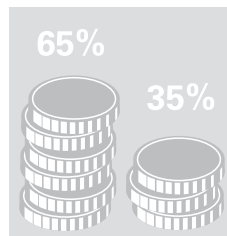
**Authorization to Convert Your Check:** If you send us a check to make your payment, your check will be converted into an electronic fund transfer. “Electronic fund transfer” is the term used to refer to the process in which we electronically instruct your financial institution to transfer funds from your account to our account, rather than processing your check. By sending your completed, signed check to us, you authorize us to copy your check and to use the account information from your check to make an electronic fund transfer from your account for the same amount as the check. If the electronic fund transfer cannot be processed for technical reasons, you authorize us to process the copy of your check.

**Insufficient Funds:** The electronic fund transfer from your account will usually occur within 24 hours, which is faster than a check is normally processed. Therefore, make sure there are sufficient funds available in your checking account when you send us your check. If the electronic fund transfer cannot be completed because of insufficient funds, we may try to make the transfer up to two times.

**Transaction Information:** The electronic fund transfer from your account will be on the account statement you receive from your financial institution. However, the transfer may be in a different place on your statement than the place where your checks normally appear. For example, it may appear under “other withdrawals” or “other transactions.” You will not receive your original check back from your financial institution. For security reasons, we will destroy your original check, but we will keep a copy of the check for record keeping purposes.

**Your Rights:** You should contact your financial institution immediately if you believe that the electronic fund transfer reported on your account statement was not properly authorized or is otherwise incorrect. Consumers have protections under a federal law called the Electronic Fund Transfer Act for an unauthorized or incorrect electronic fund transfer.

***Notify the HCTC Customer Contact Center of any changes to your personal or health plan information.***



*Get answers to your other questions.*

**1. If I'm eligible, when can I begin receiving the HCTC and for how long?**

Generally, you may continue to receive the HCTC for as long as you meet the eligibility requirements listed in Step 1, "Verify Your Eligibility." If you are eligible for the credit under TAA/ATAA, you may receive the credit for one extra month after your TAA/ATAA eligibility ends.

**2. If I am not a United States citizen, can I still claim the credit?**

Yes, as long as you meet the program eligibility requirements.

**3. If I do not owe any federal income tax, can I still claim the credit?**

Yes, but you must complete IRS Form 8885 and submit it with your IRS Form 1040, 1040NR, 1040SS, or 1040PR when you file your federal tax return.

**4. If I become employed, will I stop receiving the credit?**

Going back to work will not in itself disqualify you from receiving the credit. However, you must still continue to meet the eligibility requirements listed in Step 1 in order to remain eligible for the HCTC.

**5. Does my state have to qualify a health plan?**

No. There are 3 automatic options available to the HCTC-eligible population that are not state-qualified. However, the intent of the HCTC program is to encourage all states to qualify plans to increase the number of available health plan options so that the HCTC program can help a greater number of people.



## **6. Now that I have Medicare, is my spouse still eligible for the HCTC since she or he is not yet eligible for Medicare?**

If you now have Medicare, you are no longer eligible for the HCTC. Since you are no longer eligible, your family members (including your spouse) are not eligible for the HCTC either.

## **7. Who is responsible for running the HCTC program?**

The Department of the Treasury (Internal Revenue Service) administers the HCTC program in partnership with other federal agencies, the states, and the private health industry.

## **8. What is IRS Form 8885?**

You should use IRS Form 8885 to claim the HCTC on your federal tax return. This form helps you determine if you are eligible and provides instructions for claiming the credit. You should complete and submit it along with your federal tax return. If you do not have IRS Form 8885, call the IRS at 1-800-TAX-FORM. You may also download the form at <http://www.irs.gov/pub/irs-pdf/f8885.pdf>.

## **9. What is IRS Form 1099-H?**

If you claim the HCTC in advance, you will receive IRS Form 1099-H or substitute Form 1099-H. This form lists the amount of advance tax credit you received and the months for which you received it during the calendar year. It is for your records. You will need it to complete IRS Form 8885, which should be used to claim the HCTC for those months in which you were eligible for but did not receive the advance credit.

## **How Can We Help?**

It's important to be sure that both you and your health plan qualify for the Health Coverage Tax Credit, and that you complete the Registration Form correctly. If you have any questions after going through this kit, please contact us. We're here to help!

Call toll-free **1-866-628-HCTC (1-866-628-4282)**.

TDD/TTY callers, please call 1-866-626-HCTC (1-866-626-4282).

Or visit us on the Web at <http://www.irs.gov> (IRS keyword: HCTC).

***Be sure to fill out the Registration Form completely and correctly before sending it in.***



# Health Coverage Tax Credit



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Department of the Treasury  
Internal Revenue Service

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