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To: Retired Public Safety Officer Retirees and Survivors

Subject: Pre-Tax Health Insurance Premiums

As you may know, the Pension Protection Act of 2006 enacted a provision (Section 845) that permits “eligible retired public safety officers” to have an eligible governmental pension plan pay qualified health insurance premiums of up to \$3,000 per calendar year on a pre-tax basis.

Some questions have remained regarding how the Act applies, and recently, the IRS has issued some guidance. First, the plan will not report the premium payments as nontaxable on your 1099-R. Rather, the IRS has designated Form 1040 lines 16a and 16b as the means by which eligible retired public safety officers may identify and exclude eligible health insurance premiums from taxation. An explanation of this new exemption is included on page 22 of the 2008 Form 1040 instruction booklet, which can be found on the IRS web site at www.irs.gov.

To take advantage of this income exclusion, you must determine whether the plan from which you retired is an eligible governmental plan, whether the premiums are paid directly to a qualified health insurance plan in an eligible manner, and whether you are an eligible retired public safety officer. The following information will assist you in answering those questions:

- As a qualified governmental trust, the District of Columbia Police Officers’ and Firefighters’ Retirement Plan (the “Plan”) is an eligible plan.
- Since your health care premiums are deducted from your pension payments and paid by OPM or the District directly to the health insurance providers, the premiums are being paid in an eligible manner.
- To be an “eligible public safety officer,” you must have retired directly from a position serving in an official capacity as a law enforcement officer, a firefighter, a chaplain, or as a member of a rescue squad or ambulance crew (as defined in Section 1204(9)(A) of the Omnibus Crime Control and Safe Streets Act of 1968) after reaching normal retirement age (the Plan’s optional retirement option) or under the disability retirement option. To determine whether you qualify, you should talk with your tax advisor. In addition, you can find more information related to the statutory definition of eligible retired public safety officer on DCRB’s web site at www.dcrb.dc.gov.

This information is for the 2007 tax year. With respect to tax years 2008 and beyond, DCRB and U.S. Treasury are analyzing appropriate alternatives. We will keep you up-to-date on our progress in the weeks ahead.

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