

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D. C. 20210	CLASSIFICATION OWS
	CORRESPONDENCE SYMBOL OWS DU10
	ISSUE DATE October 10, 2002
RESCISSIONS None	EXPIRATION DATE October 31, 2004

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 02-03

TO : ALL STATE WORKFORCE AGENCIES

**FROM : CHERYL ATKINSON
Administrator
Office of Workforce Security**

SUBJECT : Health Insurance Tax Credit for Eligible Trade Adjustment Assistance/Trade Readjustment Allowances (TAA/TRA) Recipients

1. **Purpose.** To provide state workforce agencies with information about new responsibilities related to an income tax credit for health insurance premiums available to eligible TAA/TRA recipients for 2002.
2. **References.** The Trade Act of 1974, as amended (P.L. 93-618, as amended); the Trade Act of 2002 (P.L. 107-210); 20 CFR 617; 29 CFR 90; General Administration Letter [7-94](#) with [Changes 1, 2, and 3](#). The amendments to the TAA program may also be referred to as the Trade Adjustment Assistance Reform Act of 2002.
3. **Background.** The Trade Act of 2002 (the Act) extended and amended the TAA program and authorized a federal income tax credit for health insurance premiums paid by eligible TAA recipients. Operating Instructions are being developed for the substantive amendments to the TAA program as well as the health insurance tax credit. Both will be issued in the near future. However, because the health insurance tax credit will be available on tax year 2002 Form 1040 returns, state agencies will be required to provide information to the Internal Revenue Service (IRS) by November 22, 2002. In addition, states will be required to issue an IRS form for tax year 2002 to individuals who received TRA (or would have been eligible to receive TRA had their UI been exhausted) during December 2002.
4. **Action Required.** This advisory alerts the state workforce agencies to begin programming efforts to compile a listing of individuals (specified below) which the IRS will use to issue information packets about the health insurance tax credit along with a form and instructions for claiming the credit on 2002 returns. States should begin programming IRS Form 8887 (attached) into their benefits systems to comply with requirements of the health insurance tax credit. IRS Form 8887 will be used as documentation of TAA/TRA eligibility by individuals who claim the tax credit.

- **Listing of Individuals for IRS Purposes**

States should identify individuals currently receiving TRA benefits and likely to continue receiving TRA during December 2002. Also, to the extent possible, states should identify UI claimants who are eligible for TRA, except that they have not yet exhausted their UI. Although the state may not know whether these individuals will meet all future eligibility requirements, the state should know that these claimants are covered under a TAA petition that has been certified. The listings should include the name, address, and social security number of each individual (see attached record layout) and must be in a specified electronic media format (attached). States should submit these listings to the IRS with a transmittal letter on state agency letterhead signed by an appropriate agency official. The letter should state that the enclosed list is submitted for purposes of implementing the health insurance tax credit provisions of the Trade Act of 2002, and certify that the individuals named in the listing are receiving TRA benefits during November and could continue to be eligible to receive TRA during December 2002, or are receiving UI during November and could be eligible for TRA except that they have not yet exhausted their UI (i.e., they are covered under a petition). Please include the name, title and phone number of a person that the IRS can contact if there are questions. Mail this information to the IRS at the following address:

Internal Revenue Service
W:CAR:MP:M:T:M
Attention: Glenn Pelishek
Room 6230
1111 Constitution Ave., N.W.
Washington, D.C. 20224

- **IRS Form 8887**

States should program Form 8887 into their benefits system and prepare to issue this IRS form with the pertinent information completed. The form must be issued to each individual who receives a TRA payment during the month of December 2002, or would have been eligible to receive a TRA payment, except that they had not exhausted their UI. The instructions on IRS Form 8887 indicate that this form is to be furnished to the individual no later than February 18, 2003. (The state does not need to send the IRS a copy of the Form 8887.) An electronic "PDF" format version of Form 8887 can be found on the USDOL Web site at the Internet address below:

<http://ows.doleta.gov/dmstree/uipl/uipl2k3/form8887.pdf>.

5. **Administrative Costs.** Funding from National Emergency Grants (NEG) will be available to cover administrative costs for activities described in this advisory and other activities related to this health insurance tax credit. States will need to submit requests for funding according to special application procedures for NEG funds, which will be issued in the near future. States may request funding for pre-award costs for activities described above that were undertaken subsequent to the passage of the Act.
6. **Inquiries.** Please direct all inquiries to the appropriate regional office.
7. **Attachment.**
[Attachment A - Record Layout for the Health Insurance Tax Credit Mailout](#)
[Attachment B - Mail Information Media Format](#)
[Attachment C - IRS Form 8887 and Instructions.](#)

Record Layout for the Health Insurance Tax Credit Mailout

(Not for use with 1040 regular mailouts)

<u>Description</u>	<u>Position</u>
01. Blank	01 - 02
02. Primary SSN	03 - 13
03. Blank	14
04. Secondary SSN	15 - 25
05. Blank	26
06. First Name Line (left justified)	27 - 61
07. Blanks	62 - 64
08. Second Name Line or Blanks (left justified)	65 - 99
09. Blanks	100 - 102
10. Street Name	103 - 137
11. Blanks	138 - 140
12. City/State	141 - 165
13. Blank	166
14. Zip code	167 - 178
15. Blanks	179 - 180
16. Carrier Route Code	181 - 182
17. Blank	183 - 187

MAIL INFORMATION MEDIA FORMAT

Listed are the electronic media formats that are acceptable for mailing information to IRS for the Health Insurance Tax Credit Mailout.

- ZIP 100 or ZIP 250 disk: ASCII format, delimited or fixed length fields. This is a preferred format. The files can be zip/compressed on this media.
- JAZ 1GB or 2 GB disk: ASCII format, delimited or fixed length fields. This is a preferred format. The files can be zip/compressed on this media.
- CD-ROM: ASCII format, delimited or fixed length fields. This is a preferred format. The files can be zip/compressed on this media.
- 3.5" high-density disks (IBM formatted, 1.44 MB): ASCII format, delimited or fixed length fields. The files can be zip/compressed on this media.
- Sypher 9-track tape (1600 or 6250 bpi density, NON-Compressed): ASCII or EBCDIC format, block size of 8k or less, fixed length fields. Please indicate the density, block size and format in the file layout.
- ½" tape cartridge: 3480 only. NON-Compressed, ASCII or EBCDIC format, block size of 8k or less, fixed length fields. Please indicate the block size and format in the file layout.

Please ship the mail information media by November 22, 2002, by traceable shipment to:

Internal Revenue Service
W:CAR:MP:M:T:M
Attention: Glenn Pelishek
Room 6230
1111 Constitution Ave. NW
Washington, DC 20224

ISSUER'S name, street address, city, state, ZIP code, and telephone no.		OMB No. 1545-xxxx
		2002 Form 8887

**Health Insurance
Credit Eligibility
Certificate**

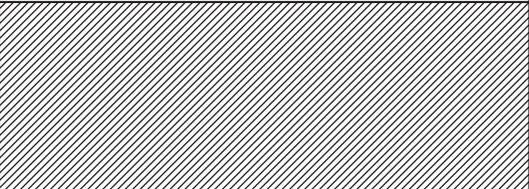
ISSUER'S Federal identification number	RECIPIENT'S identification number
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RECIPIENT'S name
Street address (including apt. no.)
City, state, and ZIP code

Recipient is an eligible:

TAA or alternative TAA recipient

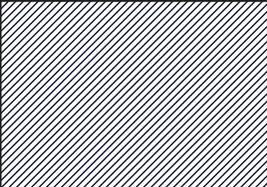
PBGC pension recipient



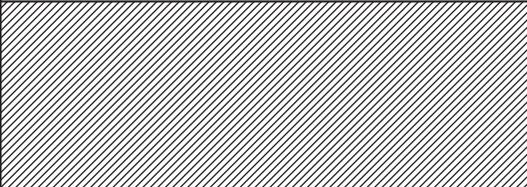
For optional use by issuer

Copy A
For Recipient
(keep for your records)

You may be able to claim the health insurance credit for eligible recipients. See **Form 8885** for details.

ISSUER'S name, street address, city, state, ZIP code, and telephone no.			OMB No. 1545-xxxx
			2002 Form 8887

**Health Insurance
Credit Eligibility
Certificate**

ISSUER'S Federal identification number	RECIPIENT'S identification number	Recipient is an eligible: <input type="checkbox"/> TAA or alternative TAA recipient <input type="checkbox"/> PBGC pension recipient	
RECIPIENT'S name			
Street address (including apt. no.)			
City, state, and ZIP code			
For optional use by issuer			

**Copy B
For Issuer**
 For Paperwork
 Reduction Act
 Notice, see
 instructions.

Proof as of
 Sept. 27, 2002
 (subject to change)

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Instructions for Issuers

Purpose of Form

Use Form 8887 to notify a trade adjustment assistance (TAA), alternative TAA, or Pension Benefit Guaranty Corporation (PBGC) pension recipient that he or she may qualify for the health insurance credit for eligible recipients claimed on **Form 8885**.

Who Must File

Form 8887 should be completed **only** by an authorized representative of a state or the PBGC.

Due Date

Furnish Copy A of this form to the recipient by February 18, 2003.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you use Form 8887, you must provide the requested information. Your cooperation will help us ensure that we are collecting the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, XX min.; **Learning about the law of the form**, XX min.; **Preparing the form**, XX hr., XX min.; and **Copying, assembling, and sending the form to the IRS**, XX min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send the form to this address.



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