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ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 05-03

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

- Purpose.** To request that state workforce agencies issue a notice to potentially eligible TAA recipients to advise them of the health insurance tax credit and the related requirements (a copy of the notice is attached).
- Reference.** The Trade Act of 1974, as amended (P.L. 93-618, as amended); the Trade Adjustment Assistance Reform Act of 2002 (P.L. 107-210); 20 CFR 617; 29 CFR 90; General Administration Letter [7-94](#) with Changes [1,2](#), and [3](#); Unemployment Insurance Program Letter No. [02-03](#) dated October 10, 2002; and Training and Employment Guidance Letters Nos. [10-02](#) and [11-02](#) dated October 10, 2002.
- Background.** The Trade Adjustment Assistance Reform Act of 2002 (the Act) authorized a federal income tax credit for health insurance premiums paid by eligible TAA recipients (as well as certain other groups). The health insurance tax credit will be available for qualified health insurance payments made by eligible individuals beginning December 2002, and individuals can claim the credit for December on their 1040 tax returns filed for CY 2002. State agencies were asked to provide a list of potentially eligible TAA recipients to the Internal Revenue Service (IRS) by November 22, 2002. The IRS will be issuing information packets about the health insurance tax credit along with a form and instructions for claiming the credit on 2002 returns. However, individuals may not receive the information until January 2003. In addition, states will be required to issue an IRS form (Form 8887) 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.
- Action Required.** This advisory requests the state workforce agencies to issue the attached notice to "eligible TAA Recipients" so that they have as much information as soon as possible about the tax credit.

In mailing out these notices, states should use the listings developed for IRS to identify individuals currently receiving TRA benefits and likely to continue receiving TRA during December 2002 and individuals receiving UI who are covered under TAA or NAFTA-TAA certifications.

- 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, as outlined in the Training and Employment Guidance Letter No. 10-02, which is dated October 10, 2002. 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.** [Letter Notifying Certain TAA-Certified Individuals of Potential Eligibility for the Health Insurance Tax Credit](#)

LETTER NOTIFYING CERTAIN TAA-CERTIFIED INDIVIDUALS OF POTENTIAL ELIGIBILITY FOR THE HEALTH INSURANCE TAX CREDIT

[TO: Individuals Certified Under TAA or NAFTA-TAA Who Are Receiving Trade Readjustment Allowances or Unemployment Insurance, including TEUC & EB]

This is to inform you that beginning in December 2002, you may be eligible for a new federal tax credit in an amount equal to 65 percent of the amount that you pay for “qualified” health insurance coverage. This tax credit has been established under a new section 35 of the Internal Revenue Code of 1986, and applies to individuals who meet the definition in that law of an “eligible TAA recipient” (as well as certain other groups).

To meet the definition of an “eligible TAA recipient” you must be in one of the following two categories: (1) you are receiving trade readjustment allowances under the Trade Adjustment Assistance (TAA) program or the NAFTA Transitional Adjustment Assistance (NAFTA-TAA) program; or (2) you would be eligible to receive a trade readjustment allowance under the TAA or NAFTA-TAA programs - except that you have not yet exhausted your unemployment insurance (UI) benefits.

In order to meet the requirements for the second category identified above, you must meet the conditions specified in section 231(a) of the Trade Act of 1974 for qualifying for trade readjustment allowances, except that you do not have to have exhausted UI. In general, there are four conditions that are relevant: (1) Your separation from employment with a trade-impacted firm must have occurred within specified time periods; (2) Your employment with the trade-impacted firm must have been for at least 26 of the 52 weeks that preceded a qualifying separation from the firm; (3) You must be eligible for UI benefits; and (4) You must be enrolled in training or you must have been issued a waiver of the enrollment in training requirement.

With respect to the enrollment in training requirement, it should be noted that the NAFTA-TAA program does not permit waivers of that requirement and therefore an individual certified under that program must be enrolled in training to be eligible for the tax credit. In addition, while you must be enrolled in training or receive a waiver prior to being eligible for the tax credit, there are some additional deadlines for enrolling in training under the TAA program and NAFTA-TAA program that cannot have lapsed in order for you to be eligible for the tax credit. Your state workforce agency can provide you with information regarding the applicable deadlines.

If you meet the definition of “an eligible TAA recipient” for any day during December 2002, you may be eligible to claim the tax credit for payments for qualified health insurance for that month. If you do not know whether you meet the definition, or have not yet met the requirement included in the definition regarding your enrollment in training or the issuance of a waiver from that enrollment requirement and need more information, you may contact the state

workforce agency at **[insert appropriate contact number/address]**. Another source of information is the U.S. Department of Labor's toll free number: 1-877-US-2JOBS.

You should also be aware that the tax credit is only applicable to amounts paid by an eligible individual for "qualified" health insurance coverage of the individual and qualifying family members (which includes your spouse and family members that can be claimed as dependents on your tax return). In order to qualify for the credit, you must be covered by qualified health insurance on the first day of the month for which the credit is to be claimed, and you must have paid the premium for that month. Such qualified health insurance coverage consists of: (1) coverage under a COBRA continuation provision (as defined in section 733(d)(1) of the Employee Retirement Income Security Act of 1974); (2) coverage under a group health plan that is available through the employment of the eligible individual's spouse and for which the employer pays or incurs less than 50 percent of the cost of such coverage; and (3) coverage under individual health insurance if the eligible individual was covered during the entire 30-day period preceding the date of separation from the trade- impacted firm. **[NOTE: If the State has elected other coverage options, specify those here.]**

With respect to coverage under COBRA, there is a new provision in the Employee Retirement Income Security Act of 1974 that provides an additional COBRA election period for certain eligible TAA recipients. Under this provision, if you did not elect continuation coverage under the regular COBRA election period, you may elect continuation coverage within the 60-day period that starts on the first day of the month when you are determined to have met the definition of an eligible TAA recipient. However, such election may not be made later than six (6) months after the date you lost coverage as a result of your separation from employment that resulted in you becoming an eligible TAA recipient.

Finally, you will not be eligible for the tax credit if you are covered by certain other health insurance. Specifically, you are not eligible if you are: (1) covered by a group plan available through your spouse's employer where the employer contributes 50 percent or more to the cost of coverage; (2) entitled to coverage under Medicare Part A; (3) enrolled in the State's Medicaid program; (4) enrolled in the State's SCHIP program; (5) enrolled in a plan in the Federal Employees Health Benefit program; or (6) receive benefits through a Defense Department health plan.

In January 2003, you should receive from the Internal Revenue Service (IRS) an information notice along with Form 8885 (Health Insurance Credit for Eligible Recipients). Eligible individuals will use Form 8885 to claim the health insurance credit on their tax returns. By February 18, 2003, eligible individuals should receive Form 8887 (Health Insurance Credit Eligibility Certificate) showing that they are eligible TAA recipients.

Beginning in August 2003, eligible individuals can choose to receive an advance payment of their health insurance credit instead of waiting until they file a tax return to claim the credit. More information on this option will be available in the future.

Please see Form 8885 for information on how to claim the credit on your tax return. You may also call 1-800-829-1040 if you need more information.

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