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ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 24-03

TO : ALL STATE WORKFORCE AGENCIES

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

SUBJECT : Implementation of the Advance Health Coverage Tax Credit (HCTC) for Eligible Trade Adjustment Assistance/Trade Readjustment Allowances (TAA/TRA) Recipients

- Purpose.** To provide state workforce agencies (SWAs) with information about their responsibilities related to advance payments of health insurance premiums available to eligible TAA/TRA recipients as part of the HCTC program.
- 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](#); Unemployment Insurance Letter [No. 02-03](#); Training and Employment Guidance Letter [No. 10-02](#); and Training and Employment Guidance Letter [No. 20-02](#). The amendments to the TAA program may also be referred to as the Trade Adjustment Assistance Reform Act of 2002.
- Background.** The Trade Act of 2002 (the Act) created a federal tax credit which subsidizes private health insurance coverage for displaced workers certified to receive certain trade adjustment assistance (TAA) benefits and for individuals receiving benefits from the Pension Benefit Guaranty Corporation (PBGC). The tax credit covers 65 percent of the premium amount paid by eligible individuals for qualified health insurance coverage. This credit is referred to as the Health Coverage Tax Credit (HCTC), and the Internal Revenue Service (IRS) is responsible for administering the HCTC program.

The Act provides two options for an eligible individual to receive the benefit. Taxpayers may elect to claim the credit on their federal tax return when filing at the end of the tax year, or beginning no later than August 2003, eligible individuals may request the 65 percent credit for qualified premiums be paid on their behalf on a monthly basis as they are due to their insurance providers. Taxpayers must pay the 35 percent premium difference if they choose the advance option.

An HCTC office has been created within the IRS to design the infrastructure for the advance option that the IRS will operate. This HCTC office will be responsible for the collection and verification of information related to eligibility, such as whether the individual has qualified health coverage. The Financial Management Service of the Department of Treasury will certify funds to the IRS for payments to health insurance providers. The

responsibility of SWAs is to identify eligible TAA recipients, as defined in the Act, and report those individuals to the HCTC office for its use in determining who qualifies for the credit. The SWAs will also be required to report the Alternate Trade Adjustment Assistance (ATAA) recipients when the ATAA program becomes operational later this year. The PBGC will submit its own list of potentially eligible PBGC recipients to the HCTC office.

The HCTC was first available as an end-of-year tax credit for the month of December 2002. To provide for the end-of-year credit for 2002, SWAs provided information to the Internal Revenue Service (IRS) during November 2002 about eligible TAA recipients. SWAs also issued an IRS form 8887 in February 2003 to individuals who received TRA (or would have been eligible to receive TRA had their UI been exhausted) during December 2002. UIPL No. 02-03, which provided instructions to SWAs for this process, furnished a reporting format for the IRS form 8887; an amendment is forthcoming later this year to revise the IRS form 8887 to include a participant's month(s) of eligibility for the credit. A UIPL will be issued to announce instructions for future issuances of the 8887s as soon as information is available from the IRS.

4. **Implementation Steps/ Requirements.** In order for the IRS to make the monthly advance health coverage tax credit payments to insurance providers for qualified individuals, SWAs must report eligible TAA and ATAA recipients to the HCTC office as they become eligible. The Interstate Connection (ICON) network currently used by the SWAs for unemployment compensation purposes will be utilized as the communication vehicle for reporting the information to the HCTC office. To meet the mandated deadline for implementing the advance health coverage tax credit program by August 1, 2003, the SWAs must complete the following specific tasks:

- SWAs must complete the necessary programming to their system no later than June 6, 2003, and it is desired that the SWAs complete their programming sooner if possible. File format specifications are attached (Attachment B).
- Once its programming is completed, each SWA must send the approved file format through the ICON network so that Lockheed Martin can certify that the file and programming are correct. This certification must be completed no later than (NLT) June 13, 2003. The instructions for sending the files were forwarded to the SWAs in the Program Logic Document (PLD) dated April 14, 2003, by Lockheed Martin.
- Beginning June 12, 2003, the SWAs will be required to test their systems by submitting test data files over the ICON network to verify that the entire system is operational and working correctly. Each SWA will need to make any necessary changes based on transmission tests.
- The SWA will deploy its system once any necessary changes are complete. Once the system has been deployed, the system will be validated beginning July 21 and ending NLT July 31, 2003. The validation of deployment will ensure that the entire process is complete including the issue resolution portion. The IB 13 will be used to resolve any problems or issues with the data sent to the IRS contractor.

5. **Administrative Costs.** Funding from National Emergency Grants (NEG) is available to cover administrative costs for activities described in this advisory and other activities related to this HCTC. States need to submit requests for funding according to special application procedures for NEG funds as outlined in TEG 10-02. States may request funding for pre-award costs for activities described above that were undertaken subsequent to the passage of the Act.

6. **Action Required.** SWA Administrators are requested to provide this information to appropriate staff and insure that necessary efforts are completed in accordance with the following schedule:

- June 6, 2003 Programming completed
- June 13, 2003 (NLT) Submit Record Layout to Lockheed Martin for Certification
- June 12 – July 1, 2003 Take part in the Integration Testing

July 21 – July 31, 2003 Take part in the validation of system deployment

- August 1, 2003 Submit eligible TAA and ATAA participants' record files

7. **Inquiries.** Please direct all inquiries to the appropriate regional office.

8. **Attachment.**

[Attachment A- HCTC ICON System Overview & Documentation](#)

[Attachment B - ICON Reporting Format for Reporting Data to the HCTC](#)

[Attachment C -TAA Individuals Eligible for the HCTC](#)

[Attachment D – HCTC Timeline for Implementation](#)

Attachment A to UIPL 24-03
HCTC ICON System Overview & Documentation

1. Data Transmission: State Workforce Agencies (SWAs) will transmit the required data certifying TAA or ATAA eligible individuals in the approved file format (Attachment B) through the Interstate Connection (ICON) network using the following procedures.

As soon as the SWA recognizes that an individual meets the eligible TAA or ATAA recipient criteria for the first time within a given month, the SWAs would transmit the eligible TAA or ATAA recipient's record to the IRS contractor. Each SWA will need to:

- Create a monthly list of TAA and ATAA eligible individuals which will be updated on a daily basis.
- Transmit the record(s) of the individual(s) determined qualified on a daily basis throughout the month.
- Program its system to ensure that only those individuals determined as TAA or ATAA eligible for the first time within a month are sent to the IRS contractor for that particular month in the daily transmission.
- Transmit only the header data in the approved file format to the contractor for IRS when there are no eligible TAA or ATAA individual records to transmit.
- Maintain the Monthly TAA and ATAA eligible lists within the state's document retention policy.

(A diagram is provided on page three showing the steps listed above.)

Each month is a new month; once an individual is reported eligible for a month, h/she is not reported again for that month, unless action occurs which makes the individual ineligible for such month. If an individual is determined TAA or ATAA eligible for a particular week that is split between two months, the SWA will submit a record for that individual for both months. To notify the HCTC office of the appropriate correction to previously reported eligibility status and months, use adjustment codes contained in attachment B to amend the individual's eligibility status.

Example:

If an individual is determined eligible and paid retroactively for a period that begins in March and continues into April, the months reported are March and April provided that eligibility has not been previously reported for March or April based on a different week in the month. The individual is reported again for March or April only with a 'lost eligibility' adjustment code, i.e., code 20-24.

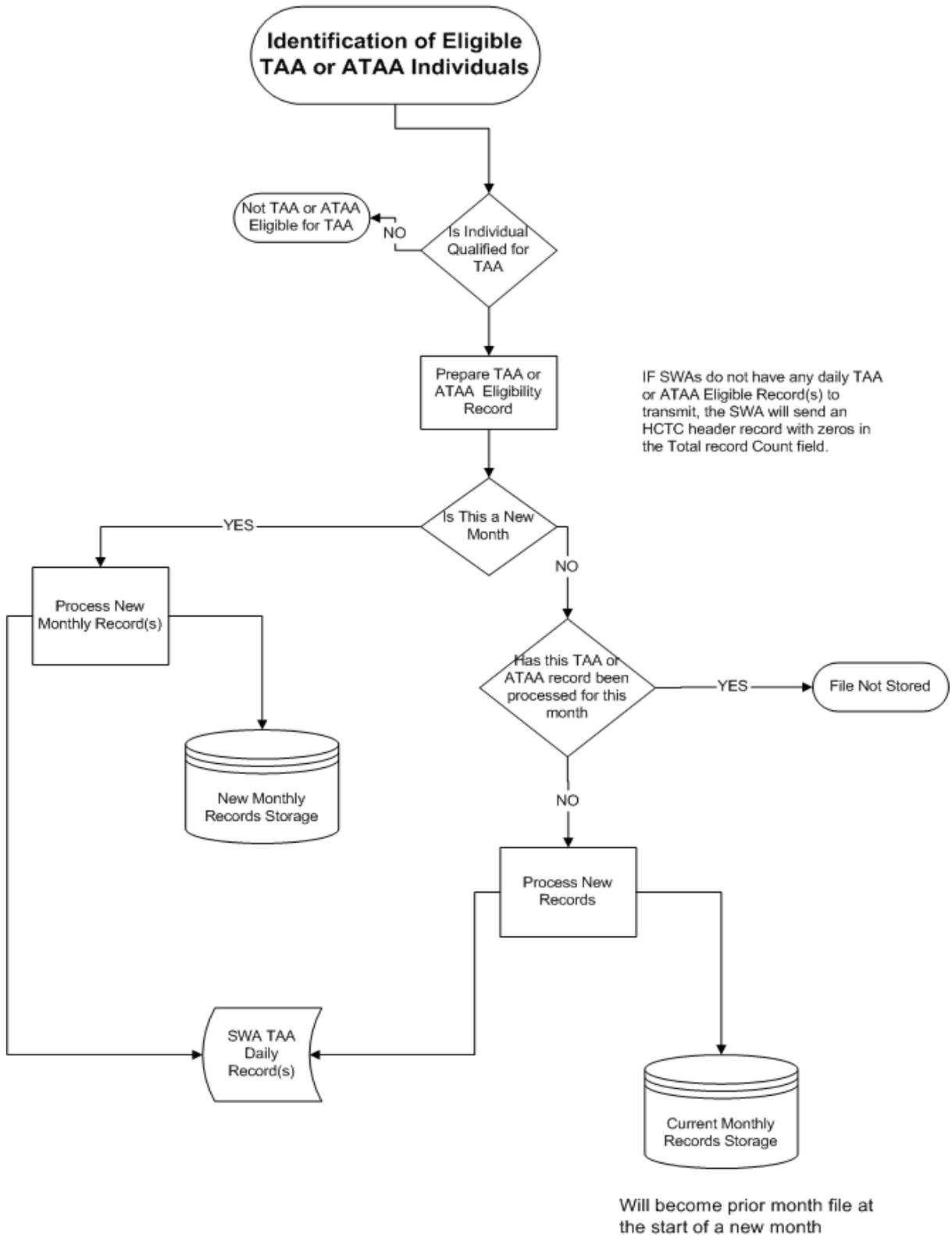
- 2. Issue Resolution:** Issues and problems are bound to arise from the information provided by the SWAs and the health insurance companies to the IRS contractor. SWAs and the IRS contractor will utilize the IB 13 system on the ICON network to resolve any issues or problems with the TAA or ATAA data submitted by the SWAs. The IB 13 is a batch mail delivery system utilizing freeform text. It is used to exchange information between parties on the ICON network. The SWAs and the IRS contractor will follow the procedures listed below to resolve any issues or problems with the data submitted by the SWAs.

Attachment A to UIPL 24-03
HCTC ICON System Overview & Documentation

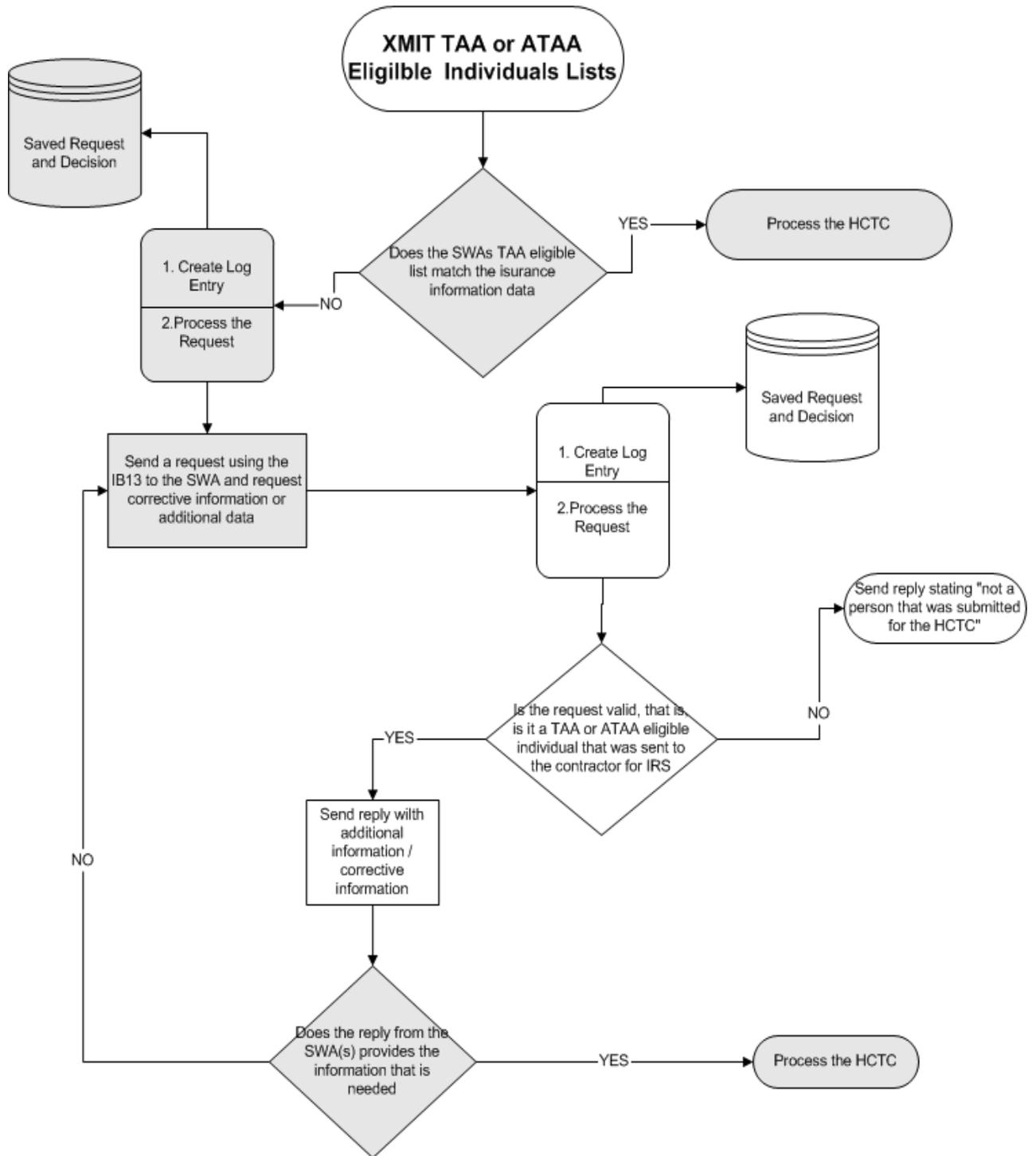
- The IRS contractor will notify a State Workforce Agency through the ICON IB13 process, of any file(s) that is missing information or the TAA or ATAA information appears to be incorrect based on other information the contractor has obtained.
- The SWAs respond to IRS contractor with additional or corrected information regarding TAA or ATAA eligibility information based on the review of the TAA or ATAA records.
- The IRS contractor will maintain a log of all requests that it made to the SWAs and replies received from the SWAs.
- The SWA will maintain a log of all requests made by the IRS contractor and its reply or replies to the contractor.
- The contractor for IRS will only request information from the designated official from the SWA regarding TAA eligibility information.

A diagram is provided on page four showing the steps listed above to resolve issues / problems with the TAA or ATAA data submitted to the IRS contractor.

**Attachment A to UIPL 24-03
HCTC ICON System Overview & Documentation
SWA TRANSMISSION OF TAA ELIGIBLE INDIVIDUALS**



**Attachment A to UIPL 24-03
HCTC ICON System Overview & Documentation
SWA - IRS Issue Resolution**



All shaded areas are the responsibility of the contractor for IRS
Non-shaded areas are the responsibility of the SWAs

HCTC TAA/ATAA Daily Record File

HCTC Inbound State Header Data Format (Header Data Elements)

Field Name	Length	Position	Data Type	Required	HIPAA Compliant	Notes
State	2	1-2	Alpha	Y	Y	Official state abbreviation
Message ID	6	3-8	Numeric	Y		Unique record Identifier
File Creation Date	8	9-16	Date	Y	Y	Date record was created
File Date	8	17-24	Date	Y	Y	Date the file was created for
Version Control No	4	25-28	Numeric	Y		File Version
State Contact Name	60	29-88	Alpha	Y	Y	Person who created the file
State Contact Phone No	10	89-98	Numeric	Y		Contact phone number
File Source	2	99-100	Alpha	Y		01 - TAA; 02 - ATAA; 03 - PBGC
Total Record Count	12	101-112	Numeric	Y	Y	Right justified blank filled

HCTC Inbound State Candidate Data Format (HCTC Detail Data Elements)

State	2	1-2	Alpha	Y	Y	Official state abbreviation
Message ID	6	3-8	Numeric	Y		Unique record identifier
Social Security Number	9	9-17	Numeric	Y	Y	Do not include dashes
First Name	25	18-42	Alpha	Y	Y	
Middle Name	25	43-67	Alpha		Y	
Last Name	35	68-102	Alpha	Y	Y	
Suffix	10	103-112	Alpha/Numeric		Y	
Date of Birth	8	113-120	Date		Y	Data format: MMDDCCYY
Street Address Line 1	55	121-175	Alpha/Numeric	Y	Y	
Street Address Line 2	55	176-230	Alpha/Numeric		Y	
Street Address Line 3	55	231-285	Alpha/Numeric		Y	
City	30	286-315	Alpha	Y	Y	
State	2	316-317	Alpha	Y	Y	
Zip Code	15	318-332	Numeric	Y	Y	
Eligibility Month/Year	6	333-338	Date	Y		Data format: MMCCYY
Eligibility Adjustment Code	2	339-341	Numeric			Values (00, 10, 20, 21, 22, 23, 25 and 99)

Specifics about the file

File frequency	Daily
Code Set	ASCII
File Format	Fixed field length
File make-up	TAA/PBGC participants who are either new to the program or people who it has been determined are still eligible for the benefits
Number of files per day per state	1 or more
Maximum number of records per file	No known limit
Number of states per file	1
Line Terminators	<CR><LF>
End of Body Indicator	<ETX>
End of File Indicator	<EOT>

ASCII DEC Values

Character	Dec	Hex	Oct
CR	D(13)	D	015
LF	D(10)	A	012

ETX	D(3)	3	003
EOT	D(4)	4	004

DEFINITIONS

HCTC Inbound State Header Data Format (HCTC Header Data Elements)

State:	State Abbreviation (e.g., Maryland (MD))		
File Creation Date:	Actual date that the file was created on system (System Date). The date that the file was created in MMDDCCYY format.		
File Date:	Actual time that the file was created (System Time). The date that the data within the file reflects in MMDDCCYY format.		
Version Control No:	Current version is 0001. Used to determined which file format was used to create the file		
State Contact Name:	Provide the name of the person responsible for sending the files and is able to respond to questions.		
State Contact Phone No:	Provide the phone number of the state contact person		
File Source:	Enter File Source Code:	01	TAA Eligible Participant
		02	ATAA Eligible Participant
		03	For PBGC Eligible Participant
Total Record Count:	Total number of individual records in the body of the file. (If a person is in the file multiple times, each record would add to the recount count). Right justify, zero fill.		

HCTC Inbound State Candidate Data Format (HCTC Detail Data Elements)

State	State Postal Code of SWA sending data		
Message ID	Unique record identifier. Sequential counter that begins with a one (1) and continues until its reaches 999999.		
Social Security Number:	The individual's assigned social security number		
First Name:	The individual's first name		
Middle Name:	The individual's middle name		
Last Name:	The individual's last name		
Suffix:	Individual suffix (e.g., jr. IV, Sr.)		
Date of Birth:	The individual's date of birth. Format us MMDDCCYY.		
Street Address Line 1:	First Line of the individual's mailing address		
Street Address Line 2:	Second address of the individual's mailing address (only if needed)		
Street Address Line 3:	Third line of the individual's mailing address (only if needed)		
City:	Individual's Mailing address city		
State:	State Abbreviation (e.g., Maryland (MD))		
Zip Code:	Postal zip code - left justify, space fill. (The 15 characters is a HIPAA standards that is used to handle non USA based postal code.		
Eligibility Month/Year:	The current month and year that the individual is qualified as either a TAA or ATAA recipient. Format is MMCCYY.		
Eligibility Adjustment			
	Code:	Enter Code:	
	Default Value:	00	Eligible Individual

Eligibility Adjustment Code:	10	Backdated Determination of Eligibility
	20	Lost Eligibility due to an Amended Eligibility Determination
	21	Lost Eligibility due to an Administrative or Employer Error
	22	Lost Eligibility due to Claimant Error Without Willful Intent
	23	Lost Eligibility due to Claimant Error with Willful Intent
	24	Lost Eligibility due to an Appeals Reversal
	99	Participant is a Lump-Sum Payment Recipient (PBG Code Only)

Explanation of Eligibility Adjustment Code

Default Value: Code 00	Code 00 will be used to report an individual that is meeting the TAA or ATAA recipient criteria for the HCTC for the first time within a month. (Note: Multiple transactions for different periods of eligibility may occur within the same daily transmission.)
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Eligibility Adjustment Code:	Note: If an individual is determined not to be TAA or ATAA eligible for a portion of a month (Ex. loses eligibility for one week) but is deemed eligible for one day or more for that month, that individual is considered a TAA or ATAA eligible recipient for HCTC for the entire month. Therefore, codes 20-24 should be used only when removing an individual's eligibility status for an entire month.
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10	Backdated Determination of Eligibility
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Code 10 will be used to report eligibility periods which precede earlier months than previously reported with a code 00 for TAA or ATAA recipients. These transactions will result from the states' appeals and/or review procedures, wage reconsideration, administrative error, or any other procedures that establish eligibility subsequent to an initial eligibility.

20	Lost Eligibility due to an Amended Eligibility Determination
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Code 20 will be used to report changes in a TAA or ATAA recipient's eligibility when a related TRA/applicable UI entitlement is amended, making the individual ineligible for HCTC for the previously reported month in its entirety. (Note: Code 20 will only be used when it is determined that one of the specific codes listed below can not be determined. This code is permitted when a state's database does not retain sufficient information to permit specific causes to be identified.)

21	Lost Eligibility due to an Administrative or Employer Error
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Code 21 will be used to report changes in a TAA or ATAA recipient's eligibility when a related TRA/applicable UI entitlement is amended, making the individual ineligible for HCTC for the previously reported month in its entirety, and the basis for the change resulted from agency error and/or erroneous information furnished by the employer. Examples of causes for these transactions are incorrect separation information or incorrect wages furnished by the employer or from data entry errors by the agency.

22	Lost Eligibility due to Claimant Error Without Willful Intent
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Code 22 will be used to reverse an individual's entitlement as a TAA or ATAA recipient for a month reported earlier when the amended eligibility is due to an action on the part of the eligible individual, and such action is deemed without willful intent by the individual to misrepresent facts pertinent to her/his eligibility. Examples of the individual's actions are not reporting earnings correctly, failure to meet the state's able and available laws and/or the work search requirements of the law. 'Without willful intent' will be determined in accordance with applicable state law.

23	Lost Eligibility due to Claimant Error with Willful Intent
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Code 23 will be used to reverse an individual's entitlement as a TAA or ATAA recipient for a month reported earlier when the amended eligibility is due to an action on the part of the eligible individual, and such action is deemed willful intent on the part of the individual to misrepresent facts pertinent to her/his eligibility. Examples of the individual's actions are not reporting earnings correctly, failure to meet the state's able and available laws and/or the work search requirements of the law. 'Willful intent' will be determined in accordance with applicable state law.

24	Lost Eligibility due to an Appeals Reversal
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Code 24 will be used when an individual is determined not to be an eligible TAA or ATAA recipient as a result of an appeals reversal of the initial determination of TAA or ATAA eligibility.

Attachment C to UIPL 24-03

TAA Individuals Eligible for the HCTC

The requirements are as follows:

1. Individual taxpayers must be covered under a TAA certification of eligibility for TAA benefits.
2. Individual taxpayers are determined to be eligible TAA recipients by either the receipt of TRA or eligibility for TRA but for the fact that they have not exhausted UI benefits (taxpayers must have filed for UI benefits and determined eligible under a state program).
3. Individual taxpayers must be enrolled in or participating in a TAA training program, have completed a TAA training program, or have obtained a waiver of such TAA training program (except in the case of a NAFTA-TAA certification). This requirement is applicable during the period that they are receiving TRA as well as UI.
4. Individual taxpayers are eligible for the HCTC if as “eligible TAA recipients” on the first day of any month, if, for any day of that month or the prior month, they received a trade readjustment allowance or would have been entitled to receive such allowance but for not having exhausted UI entitlement. The determination of eligibility is based on receiving a benefit for a particular month, not based on when the check is received.
5. Individual taxpayers are eligible for an additional month after ceasing to be an eligible TAA recipient and as such remain eligible for the advanced tax credit for one more month.

Taxpayers must meet the requirements of section 231(a) of the Trade Act of 1974 (19 U.S.C. 2291(a)) for receipt of TRA and to be eligible for the HCTC. During their period of UI entitlement and to be able to obtain the HCTC, the individual taxpayer who is deemed “an eligible TAA recipient” must specifically meet the following provisions of section 231(a) of the Trade Act: (1) the weeks of unemployment for which assistance is to be provided occur at least 60 days after the date on which the petition covering the worker was filed; (2) the worker’s separation from employment with the trade-impacted firm occurred within certain specified time periods (e.g., not later than 2 years after certification); (3) the worker was employed by the trade-impacted firm for at least 26 weeks (at wages of \$30 or more per week) of the 52 weeks preceding the workers’ separation from the firm; (4) the worker is entitled to UI benefits; (5) and the worker is enrolled in approved training within the required time limitations or where applicable has obtained a waiver, if warranted.