

IRS Treatment of Insurance Premiums for Retired Public Safety Officers

Eligible retired public safety officers may elect to exclude from their gross income certain distributions from a retirement plan that are used to pay the premiums for qualified health insurance. The distribution must be made directly from the retirement plan to the insurance provider. We believe that deductions made directly from monthly pension checks for the KCPD's group health insurance programs qualify as such a distribution.

The IRS has issued instructions for individuals to make the appropriate reductions to gross income and claim the associated tax benefits on their individual income tax returns. Eligible members can exclude from income the amount of the insurance premiums deducted or \$3,000, whichever is smaller. The premiums can be for coverage for you, your spouse, or dependents. You can only make this election for amounts that would otherwise be included in your income. You can find the amount deducted for medical premiums on your monthly earnings statement from the Police Retirement System and Northern Trust. The amounts will be listed under Deductions in the year to date column. There will be an amount for MEDICAL and/or MTIE-IN and/or MPARTD if you had premiums deducted from your benefit payment for eligible group plans.

This exclusion from gross income applies only to "eligible retired public safety officers". Surviving spouses or other dependents receiving pension distributions on behalf of a deceased public safety officer are not eligible for this exclusion.

Information on how to report the exclusion on IRS Form 1040 can be found in the instructions for lines 16a and 16b and for IRS Form 1040A in the instructions for lines 12a and 12b.

If you have additional questions please call Sharon Blancett, in the KCPERS office at 816 482-8830.