WANT TO SAVE MONEY ON YOUR HEALTH INSURANCE PREMIUMS?

Pre-Tax Contribution Program (PTCP) Fact Sheet

Under the Pre-Tax Contribution Program (PTCP), you may have your share of your health insurance premium deducted from your gross wages **before taxes are withheld**. This program may lower your taxes.

Who is Eligible

If you are an active State employee who receives regular payroll checks and has health insurance premiums withheld from your paycheck, you are eligible to participate in the PTCP. You will not be eligible to participate in PTCP if you pay for your health insurance directly instead of by payroll deduction (for example, if you are on Leave Without Pay (LWOP).

Tax Savings

Making your contributions to your health insurance premium on a before tax basis (contributions are made before taxes are withheld) effectively reduces your salary by the amount of your contribution. Therefore, you pay taxes based on a lower salary. These salary-based taxes include Federal income taxes, Social Security taxes, and most State and local income taxes. (If you live in New Jersey or in Erie, Philadelphia or Pittsburgh, Pennsylvania, you are not allowed to reduce your State or local taxable income by the amount of your health plan contribution. If you live in these areas, only your Federal income taxes and Social Security taxes will be affected.) The amount you save in taxes will depend on the amount of your income, your premium and the number of withholding allowances that you claim on your taxes. Contact your tax professional for advice on how participation in PTCP will affect you.

Automatic Deductions and Opt-Out Period

If you are eligible for PTCP, **you must enroll in the Program by filing a PS-404 Form with your agency Health Benefits Administrator indicating that you wish to participate.** Once enrolled in NYSHIP, if you want to opt out, your must do so for each tax year by the designated Pre-Tax Selection Period deadline.

Domestic Partners: Not Eligible for Pre-Tax

Under IRS pre-tax rules, unless a domestic partner qualifies as a dependent for income tax purposes under Section 152 of the Internal Revenue Code, a domestic partner is not a federally-qualified dependent and coverage cannot be provided on a pre-tax basis. Therefore, if you cover your non-federally qualified partner, the portion of the premium you pay for Family health insurance coverage must be taken on a post-tax basis.

Changes Permitted for PTCP Enrollees Outside of November Election Period

Under Internal Revenue Service (IRS) regulations, if you participate in PTCP, you may change your health insurance deduction only when one of the following PTCP qualifying events occurs:

- Change in employee's marital status
- Change in employee's number of dependents
- Change in employment status of employee, spouse, or dependent that affects eligibility
- Dependent satisfies or ceases to satisfy eligibility requirement
- Change in place of residence or worksite of the employee, spouse or dependent
- Change in coverage under other employers' plan
- COBRA events
- Judgment, decree or order
- Medicare or Medicaid eligibility
- Leaves of absences
- HIPAA special enrollment rights

Changes to coverage due to the above status changes must be consistent with the change in your family or employment. If you make a change in coverage not related to a qualifying event, your PTCP insurance deduction will not change. Changes in coverage because of these qualifying events must be made within 30 days of the event (or within the waiting period if newly eligible), and delays may be expensive.

NOTE: A change in coverage is treated differently than a change in your pre-tax election. For example, if your only covered dependent became ineligible for coverage in June and notice of this qualifying event was not provided to your HBA until August (not within 30 days), the dependent will be removed retroactive to when first ineligible for benefits in June. Deductions will be changed to Individual only as of August and no refund will be issued.

In November, NYSHIP Enrollees in PTCP can make the following changes to their PTCP election/premium for the next plan year:

- Change your PTCP election
- Change from Family to Individual coverage, while your dependents are still eligible, when there is no qualifying event
- Voluntarily cancel your coverage, while you are still eligible for coverage, when there is no qualifying event

IRS Regulations: Arbitrary Changes Not Permitted During the Year

Internal Revenue Service (IRS) regulations require an employer to take a fixed pre-tax contribution toward an employee's coverage throughout the PTCP year unless a qualifying event or a significant change in your spouse's employment occurs. Changes that do not stem from a qualifying event are defined by the IRS as arbitrary health insurance coverage changes. These arbitrary changes in health insurance coverage cannot change the amount of your health insurance deduction.