

January 2010 Update: For calls regarding the deduction of 2009 insurance premiums for eligible police/fire retirees (eligibility has not changed from last year), refer them to the 1040 instruction publication, page 25, at the top right-hand corner, titled "Insurance Premiums for Retired Public Safety Officers."

December 26, 2007

TREASURER-CLERK  
Pension Administration  
891-8087

Reference: Potential Tax Savings

Dear Police/Fire Retiree:

The Pension Protection Act of 2006 was signed into law on August 17, 2006. One of the provisions of this act is to allow "eligible retired public safety officers" to elect to exclude from gross income certain deductions made from your Pension Plan to pay for "qualified health insurance premiums." The exclusion is limited to amount of annual premiums paid, up to \$3,000, and is effective beginning January 1, 2007.

This means that, as an example, if your annual pension is \$36,000 and \$3,000 is deducted for medical premiums, then your taxable pension should be reported as \$33,000 on your 1040 form. If your medical premiums are less than \$3,000, the exemption is limited to the actual amount of your premiums. If the premiums are more, the exemption is capped at \$3,000. It is your responsibility for completing the appropriate area(s) on your 1040 and/or forms when filing for each year's tax return. Please refer to your December 31, 2007 City of Tallahassee pay stub/earning statement for the year-end (YTD) deductions. You should consult a professional tax advisor regarding this new provision.

According to the law an "eligible retired public safety officer" includes police officers or firefighters who retired under Normal retirement or Disability and are currently enrolled under the City of Tallahassee's health insurance program having the health care premium deducted from your check.

Those who receive Early or Vested Termination benefits are not eligible for this new provision. Those who retired under Disability or Normal Retirement who are not enrolled in the City of Tallahassee's retiree health insurance program are also not eligible for this new provision.

"Qualified health insurance premiums" are premiums deducted from your pension that are paid for health insurance for the eligible retired public safety officer, his or her spouse, and dependents. It does not include premiums for other benefits.

The City of Tallahassee Retirement System is complying with federal law by supplying this information to you. Please be advised that this program is subject to change at any time based on Internal Revenue Service interpretations, changes to the PPA, or in the case that this program is found to be in conflict with other federal, state or local laws. In the event of a conflict between this program and governmental regulations, official interpretations, or other relevant legal decisions, this program shall be subordinate. Again, it will be to your best interest to consult a professional tax advisor regarding this new provision when you file your taxes for 2007.

If you have questions about your pension plan, please contact Jean Love with the City's Pension Administration Office at (850) 891-8087.

Sincerely,  
Retirement Administration