



Overview

The Health Coverage Tax Credit (HCTC) began as a groundbreaking tax credit program in 2002 and was expanded by the American Recovery and Reinvestment Act (ARRA) in 2009. Described by some participants as “a lifesaver,” the HCTC is a federally funded tax credit that pays **80%** of an eligible individual’s health insurance premium on a *monthly or yearly* basis.

Nationwide, thousands of trade-affected workers and Pension Benefit Guaranty Corporation (PBGC) payees are eligible for the HCTC Program. Trade-affected individuals are certified by the U.S. Department of Labor as eligible to receive benefits under the Trade Adjustment Assistance (TAA) for Workers Program. PBGC payees currently draw their pension from the PBGC and are 55 years old or older.

Recent Changes to the HCTC

The ARRA, also known as the Stimulus Bill, changed the HCTC to make health coverage more affordable and accessible to an even greater population. Enhancements include:

- A credit increase from 65% to 80% of qualified health insurance premiums.
- Extended COBRA coverage.
- Eased training requirements allowing more trade-affected participants to continue receiving the HCTC.
- Reimbursement for premiums paid while enrolling.
- Extended coverage for qualified family members.

Partnering to Help

The HCTC Program is delivered through a collaborative partnership between your state, federal agencies, private industry, and local workforce development professionals. The shared objective is to make health insurance more affordable to individuals who are in need of relief during a difficult time.

Contact Information

- Customer Contact Center
 - 1-866-628-HCTC (1-866-628-4282)
 - 1-866-626-4282 (TDD/TTY)
- E-mail: wi.hctc.stakeholder@irs.gov
- Website: www.irs.gov/hctc



What is the Health Coverage Tax Credit (HCTC)?

The Health Coverage Tax Credit (HCTC) is a federally funded program that pays **80%** of qualified health insurance premiums for eligible individuals. The HCTC was originally created as part of the Trade Act of 2002. A new law called the Trade Adjustment Assistance Health Coverage Improvement Act—which is part of the American Recovery Reinvestment Act (ARRA)—resulted in changes to the HCTC.

Beginning in May 2009, the tax credit increased from 65% to 80% of qualified health insurance premiums. As of January 2010, coverage was extended to qualified family members of eligible individuals who enrolled in Medicare, passed away, or divorced.

Who is eligible?

The HCTC helps two specific groups of people and their qualified family members:

- **Pension Benefit Guaranty Corporation (PBGC) Payees** are 55 years old or older and receive pension payments from the PBGC.
- **Trade Adjustment Assistance (TAA) Recipients** receive either an income supplement from the state called a Trade Readjustment Allowance (TRA) or unemployment insurance. This group includes Alternative TAA (ATAA) and Reemployment TAA (RTAA).

What types of health coverage qualify?

Only certain health insurance coverage options qualify for the tax credit. The most common are:

- **COBRA**, which is the continuation of job-based benefits. In order to participate, the individual must be responsible for paying more than 50% of the monthly premium amount.
- **State Qualified Health Plans**, which are plans that are offered within a state and certified by the State Department of Insurance as meeting certain consumer protection requirements.
- **Spousal Insurance**, which is group coverage available to an eligible individual's spouse. In order to participate, the spouse must pay for more than 50% of the total monthly premium amount with after-tax dollars.

How is the HCTC different from other tax credits?

Congress understood that losing health insurance can be a huge challenge to people when they've already lost their jobs or experienced a pension bankruptcy so it created the HCTC, which is the first federal tax credit designed to help people afford health insurance coverage during a difficult time. The HCTC is available on a **monthly** basis to help individuals pay their health insurance premiums as they become due, or on a yearly basis, when they file their federal tax return. The HCTC Program partners with various federal and state agencies and Health Plan Administrators to deliver the tax credit to eligible individuals.



How is someone notified about this program?

Once an individual is identified as a PBGC payee or TAA recipient, the HCTC Program will send him or her information about the program in the mail. Individuals who believe they may qualify should review this packet in detail and mail back the required documents to enroll in the Program.

Can someone receive the HCTC even if he or she doesn't owe taxes?

Yes, the HCTC is a refundable tax credit, which means it is paid in full no matter how much federal income tax an eligible individual owes.

The ARRA established that employers partially subsidize COBRA premiums for some employees. Is that program different from the HCTC?

Yes, the 65% COBRA Premium Reduction is different from the HCTC. Individuals who were involuntarily separated from their jobs between September 2008 and February 2010* are eligible to receive a 65% COBRA Premium Reduction through their former employer for 15 months. A critical consideration for anyone who is eligible for the 80% HCTC—which could be more valuable than the 65% COBRA Premium Reduction—is that electing to receive a COBRA Premium Reduction will disqualify the individual from receiving the HCTC during the same month.

** This eligibility window may be extended by Congress. For more information contact the US Department of Labor at 1-877-872-5627.*

Are there programs available to help pay for individuals' health plan premiums while they are in the process of enrolling for the HCTC?

Yes. The NEG Bridge/Gap Filler Program is available in some states to help individuals pay their health plan premiums while they are enrolling in the monthly HCTC. This program provides temporary assistance and ends when individuals receive their first invoice from the HCTC Program. The state, not the HCTC Program, is responsible for distributing NEG Bridge Grant payments to individuals.

Additionally, HCTC participants can receive a reimbursement credit for premiums they paid while eligible and enrolling in the monthly HCTC Program.

Once enrolled in the monthly HCTC Program, how are individuals invoiced for their health insurance premiums?

At the beginning of each month, the HCTC Program will invoice an individual for 20% of his or her health insurance premiums. Enrolled individuals make the 20% payment directly to the HCTC Program and then the Program will contribute the 80% tax credit and send the full payment directly to the health plan administrator on behalf of individual.

HCTC
Health Coverage Tax Credit

Stay covered.



HCTC
FAQs

Where can I find out more about the HCTC Program?

For more information about the HCTC Program, e-mail the program office at wi.hctc.stakehdr.en@irs.gov or visit the HCTC homepage at www.irs.gov/hctc. There you will find a host of resources, such as quick reference guides and additional Frequently Asked Questions. You also can call the HCTC Customer Contact Center at 1-866-628-HCTC (4282). If you have a hearing impairment, please call 1-866-626-4282 (TTY).

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