

**CITY PENSION FUND FOR  
FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF TAMPA**

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To: Fire & Police Retirees With Taxable Income, Calculated Income Taxes, and Health Insurance Premiums Deducted from Pension Checks

From: Jennifer D. Campbell, Pension Plan Administrator

Date: January 31, 2010

Subject: Exemption of Up To \$3,000 from Taxable Income Per Year on Health Insurance Premiums Withheld from F&P Pension Checks

In anticipation of questions related to your 2009 1099-R that you should now be receiving in the mail, we are continuing to track up to \$3,000 per year in health insurance premiums that are withheld from your pension check each year. These health insurance premiums will be exempt from federal income tax if you report the amount claimed on your Form 1040. This is a change from the 2007 and 2008 1099-Rs based upon more specific guidance from the IRS.

What does this mean to you? It means that your health insurance premiums, up to \$3,000 per year, will not be subject to federal income tax—meaning fewer taxes and higher take home pay, provided that you take the “PSO” deduction as noted below on your tax return.

On your pension check stubs and direct deposit advice notices, you will see a heading called “PPA Non Tax” and a \$3,000 limit. Each pay cycle, your health insurance premium deducted from your pension check will accumulate under that heading until \$3,000 has been reached each year.

For example, a retiree with a \$400.00 per month health insurance premium will see \$400.00 under PPA Non Tax each month until the \$3,000 limit is reached after eight months. The \$400.00 health insurance premium will not be taxed—in other words, it will be sheltered from federal income tax—until the \$3,000 limit has been reached. Once the \$3,000 limit has been reached in a calendar year, the health insurance premium becomes fully taxable again until the next year when the \$3,000 limit starts over again.

NOTE: If you want to take advantage of this exclusion, you must report the amount claimed on Form 1040. The instructions to Form 1040 explain that your total pension amount should be entered on line 16a, and the taxable amount received from the plan, reduced by the amount of qualified health insurance premiums deducted and paid by the plan (not to exceed \$3,000), must be entered on line 16b. Next to line 16b, in the margin, you must write the letters “PSO.” This is an annual election—you will need to report the exclusion for each year in which you want to claim the exclusion.

This exemption is a result of federal legislation called the Pension Protection Act, part of which was called Healthcare Enhancement for Local Public Safety or HELPS. The pension fund has been complying with this federal legislation as a tax-savings benefit for our retirees since April 2007.

As always, if you have any questions, please call the pension office at (813) 274-8550 or (888) 335-8550 – toll free.