

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

**Mark Bogush
Chairman**

**Richard Griner
Vice Chairman**



**3001 North Boulevard
Tampa, FL 33603-5516
(813) 274-8550 phone
(888) 335-8550 toll free
(813) 274-7504 fax**

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

From: Tiffany Ernst, Plan Administrator

Date: July 6, 2015

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

The pension office has received multiple calls regarding changes in calculated taxes. These changes are due to insurance premiums that are deducted from your monthly pension check. The IRS allows you to exclude up to \$3,000 per calendar year in health insurance premiums that are withheld directly from your pension check. This means that up to \$3,000 of your health insurance premiums each year will not be subject to federal income tax. You can track this amount on your monthly pension check stub or direct deposit advice notice, under the heading "PPA Non Tax."

For most of you, changes to your calculated taxes will occur over two months: the first month is when the \$3,000 limit is reached and the second month is what your taxes will be each month thereafter. For example, you pay \$550 per month in health insurance premiums starting in January. This amount will accumulate under "PPA Non Tax" each month until the \$3,000 limit is reached. In May, your statement will show you have paid \$2,750 in "PPA Non Tax," indicating you will reach the \$3,000 limit in June. The balance of the \$3,000, which in this example is \$250, will be sheltered in June, and because it is less than the \$550 that is normally sheltered, your taxes will increase. You will see your taxes increase again in July and remain at the higher amount through the end of the calendar year, because none of your health insurance premiums are being sheltered from taxes.

NOTE: The \$3,000 limit is calculated on a calendar year basis and resets every January. Because this is an annual election, you will need to report the exclusion on your taxes for each year in which you want to claim the exclusion. Your taxable income on your 1099-R *does not* exclude the amount reflected in the "PPA Non Tax" line on your check stub or direct deposit advice notice. This is a manual deduction you must make when filing your taxes.

As always, if you have any questions, please call the pension office at (813) 274-8550. For tax advice, please contact a tax professional.