

## ***Retirees May Deduct Cost of Benefits***

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*In 2006, Congress passed the Pension Protection Act (“PPA”), which contains many provisions that affect members of the New York City Police Pension Fund. Among those provisions is the ability to exclude up to \$3,000 from the amount of income distributions reported to the Internal Revenue Service (“IRS”) for payment of premiums for accident or health insurance or long-term care insurance.*

- Distributions used to pay premiums for a spouse and dependent children are also excludable.
- This exclusion can be made if the amount paid for the premium would have otherwise been included in your income and is deducted directly from your pension allowance.
- ***What this means for retired NYPD officers is that the cost of the City’s optional benefit rider may be excluded from the total amount of your pension reported annually.***
- The maximum amount allowed by the PPA to be excluded is \$3,000; however the amount excluded may not exceed the actual amount paid.
- To claim this benefit, you must reduce the taxable benefit on line 16B of the 1040 by the amount of the exclusion and write “PSO” on the line for “public safety officer.”
- The exclusion will not be reported on 1099 forms issued by the City, so any retiree who claims the benefit has a responsibility to report it to the IRS.
- Accordingly, pensioners who retired on ADR (accidental disability retirement) are not eligible for this exclusion because at this time their pension is not taxed.

This information is provided as a courtesy to PPF members and is based on the Fund’s current understanding of the law, but does not constitute tax advice and should not replace the advice of a qualified tax professional.

Note: Retirees should save their Quarterly Statement (for those with electronic deposit) or their monthly pension check stub, in order to document their premium deductions for any health insurance or long term care insurance, as required proof for the IRS, if asked. No other documentation will be provided by the Pension Fund. Please contact Marie Elena Brusco @ 212-693-6058 questions regarding this matter.

*\*Acknowledgement to NCPERS for their effort and research on the 2006 PPA bill.*