



*Strength. Service. Commitment.*

## **Income tax exclusion for public safety officers' health premiums**

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There is an income exclusion allowed by the Internal Revenue Service (IRS) code section 402(l), which was adopted as part of the Pension Protection Act of 2006. Beginning with the 2007 tax year, certain retired public safety officers (as defined by the IRS) can elect to exclude up to \$3,000 from income distributions made from SDCERA directly to an insurance provider to pay premiums for accident or health insurance, or long-term care insurance. The premiums can be for member or dependent coverage.

It is the responsibility of each eligible retired public safety officer claiming this exclusion to substantiate their eligibility, based on IRS instructions. The IRS provided special reporting instructions in its 2007 tax materials. If you qualify for this exclusion, it should be reported on the identified lines of your 1040 tax form, depending upon which form you use (see chart below for reference). In all cases, the initials "PSO" must be recorded next to the exclusion amount. Members who need information on the premiums paid and health insurance allowance credited should refer to their December 31, 2007 earnings statement.

You may read more about this exclusion in the 1040 instruction booklet or the IRS Publication 575, which are available at [www.irs.gov/formspubs](http://www.irs.gov/formspubs).

SDCERA cannot give tax advice; members should discuss this new exclusion with a tax professional.

<b>If you use this form...</b>	<b>Refer to...</b>
IRS Form 1040	Lines 16a and 16b
IRS Form 1040A	Lines 12a and 12b
IRS Form 1040NR	Lines 17a and 17b