

PUBLIC SAFETY OFFICER PREMIUM EXCLUSION

EXCLUSION FOR UP TO \$3,000 OF DISTRIBUTIONS USED TO PAY FOR HEALTH INSURANCE PREMIUMS BY PUBLIC SAFETY OFFICERS

The Secure Act 2.0, passed in 2022, improved upon a prior law that offered tax advantages for some retired public safety officers. Prior to the Secure Act 2.0 qualifying retired public safety officers could exclude from taxable income, health insurance premiums paid directly by their retirement plan administrator. The Secure Act 2.0 removed the requirement for the premiums to be paid directly by the plan administrator.

This allows for qualified retired public safety officers to reduce the taxable income showing on their 1099 forms even if they paid their premiums out of pocket. The following details determine eligibility:

Public Safety Officers include law enforcement officers, firefighters, chaplains, and members of a rescue squad or ambulance crew.

Who qualifies? In order to qualify you must meet both of the following:

- Were an eligible Public Safety Officer (PSO) when separating from service,
- Separate from service due to disability or after reaching normal retirement age,

Which plan distributions qualify for the exclusion?

- Eligible retirement plans, including qualified defined benefit pension plans, 403(a) plans, 403(b) annuities, and 457(b) deferred compensation plans. If you are unsure which type your distributions are coming from, please contact the source of your distributions (payor).

How much can be excluded from taxable income?

- Eligible retired public safety officers can exclude the lesser of:
 - Qualifying premiums paid during the year, or
 - \$3,000

Which premiums qualify?

- Premiums for medical/health, dental, vision and/or long-term care insurance policies that cover the eligible retired public safety officer, their spouse, and their dependents.

No double dipping rule: Claiming this exclusion reduces the portion of deductible medical premiums that can be claimed as itemized expenses. The income exclusion is always more valuable than claiming the medical expenses as itemized deductions.

If both spouses are eligible retired public safety officers, they can each claim the exclusion. Medicare premiums can be claimed in this way.

If you believe you qualify, please alert a staff member. If you are unsure, be sure to ask for more information.