For eligible retirees under the State Police Pension Plan ("Pension Plan"), up to $3,000 per year of monthly pension payments from the Pension Trust which are used to pay premiums for coverage under the Department's retiree health care plan may be excluded from taxable income.

This favorable tax treatment is based upon federal tax law; the Department or the Pension Trust may not change the federal requirements for this treatment. Under the federal law, there are specific limits on the type of pension benefits that may receive this tax treatment. Specifically, an individual must be an **"eligible retired public safety officer"** to be eligible for this tax exclusion. Thus, all of the following must apply to you in order for you to be eligible to exclude from income up to $3,000 of your monthly pension benefit used to pay the Department's retiree health insurance premium:

- You participate in the Department's retiree health care program and your premium for coverage is directly deducted from your pension check payments.
  Note: *If you do not currently have a direct pension deduction for your premium, you will need to contact the Human Resources Division to arrange for this deduction to be eligible for the $3,000 exclusion.*

- You are a retired sworn officer.

- At the time you separated from service, you immediately commenced a monthly pension benefit that was not reduced because of the age at which you commenced the benefit.
  Note: *This requirement is based on a "normal retirement" from a federal law perspective, which focuses on whether your benefit is reduced because of an early retirement age. For example, a trooper retiring under the Pre-1987 Plan with 20 years of service, but who was not at least 45 years old at the time of separation, would not be eligible for the exclusion because the benefit was reduced due to age at retirement. A Trooper retiring under the 1987 plan with 23 years of service but over age 55 would be eligible for this exclusion because, while the benefit was reduced due to years of service, it was not reduced due to age at retirement.*

- You must claim the income tax exclusion for the pension payments used to pay the premium for the Department's health plan (the total you paid, up to $3,000) pursuant to IRS instructions on your individual income tax return. In informal questions and answers, the IRS has indicated that the retiree will need to reduce his or her taxable amount on line 16b of Form 1040 by the amount of the exclusion and enter "PSO" next to that line.
  Note: *The IRS has issued guidance that pension plans may not separately report the exclusion amounts as non-taxable on Form 1099-R. Thus, your Form 1099-R will not exclude this amount from the taxable amount of your pension reported on the Form 1099-R. Rather, individual retirees must claim these amounts as non-taxable on their individual income tax returns.*