Employment and Training Administration Advisory System U.S. Department of Labor Washington, D.C. 20210	**CLASSIFICATION** UI
	CORRESPONDENCE SYMBOL OWS/DUIO
	DATE March 28, 2005

ADVISORY: FIELD MEMORANDUM NO. 8-05

TO: REGIONAL ADMINISTRATORS

/s/

FROM: JACK H. RAPPORT
Administrator
Office of Field Operations

SUBJECT: Reporting of Eligible Trade Adjustment Assistance (TAA) and Alternative Trade Adjustment Assistance (ATAA) Recipients to the Internal Revenue Service (IRS) for the Health Coverage Tax Credit (HCTC) program

1. Purpose. To request that Regional Offices assess problems related to the reporting and verification of "eligible TAA recipients" and "eligible ATAA recipients" to the IRS for HCTC purposes and to advise the national office of their findings.

2. References. The Trade Act of 1974, as amended (P.L. 93-618); the Trade Act of 2002 (P.L. 107-210); 20 CFR 617; 29 CFR 90; Unemployment Insurance Program Letters (UIPL) No. 02-03, No. 05-03, and No. 33-03; Training and Employment Guidance Letter (TEGL) 11-02, Operating Instructions for Implementing the Amendments to the Trade Act of 1974, enacted by the Trade Act of 2002; TEGL 10-02, Use of National Emergency Grant Funds under the Workforce Investment Act to Develop Systems for Health Insurance Coverage Assistance for Trade-Impacted Workers.

3. Background. The HCTC was created by the Trade Act of 2002. It subsidizes health coverage for displaced workers certified to receive certain TAA benefits (i.e., Trade Readjustment Allowances (TRA) and ATAA) and for individuals receiving benefits from the Pension Benefit Guaranty Corporation (PBGC). This Federal income tax credit covers 65 percent of the premium for qualified health coverage for eligible individuals. The IRS relies on the SWAs to provide accurate and timely records of eligible TAA and ATAA recipients each month. Individuals who meet the definition of an eligible TAA/ATAA recipient for a given month must be reported to the IRS to establish their potential eligibility for the HCTC. Individuals will stop being reported if/when the SWA determines that they no longer meet the definition of an eligible TAA or ATAA recipient.

RESCISSIONS None	**EXPIRATION DATE** March 31, 2006

4. IRS End-of-Month Audit. HCTC records sent by the SWAs for individuals who have been reported as eligible TAA or ATAA recipients and who are enrolled in the HCTC program are included in an end-of-month "audit." During this end-of-month audit, the IRS compares the current month's HCTC records received from the SWAs against the prior month's HCTC records. This audit is being conducted to ensure that when an individual stops being reported as an eligible TAA or ATAA recipient, the HCTC Office can check with the SWA to ensure that the record was correctly not sent to the HCTC office. The audit includes only a small percentage of the total number of HCTC records sent by SWAs. It is critical that all audited records are verified timely by the SWA to allow the SWA and the HCTC office sufficient time to investigate and correct any erroneous records since they pertain to those individuals actually enrolled and participating in the HCTC program.

5. HCTC Records. Inaccurate HCTC records transmitted by SWAs may cause individuals to lose their health coverage while they are still eligible for it. Inaccurate records may also result in continued health coverage for individuals who are no longer eligible for the health coverage, which could result in an HCTC "overpayment" subject to IRS collection efforts. In addition, such records create additional work for the IRS and the SWA(s).

6. Available Funding. Funding is available to SWAs from the National Emergency Grants (NEGs) to cover administrative costs for HCTC activities, including record transmission and end-of-month audit activities. States needing additional funds to ensure accurate and timely HCTC record transmissions are encouraged to submit requests following the special application procedures for NEGs as outlined in Training and Employment Guidance Letter (TEGL) No. 10-02.

7. Action Required. Regional Administrators are requested to:

   (a) Select one volunteer state from your region to participate in this effort. The selected state must agree to record information about the results of the HCTC end-of-month audit activity over a 2-3 month time period. The state should be familiar with the end-of month audit activities and agree to complete the attached form entitled *HCTC End-of-Month Audit Summary* for each of the three months. The selected state should begin recording and maintaining the requested information during the first end-of-month audit that is conducted following notification of its selection.

   (b) Work with the selected state in your region to ensure the necessary information is obtained to complete the *HCTC End-of-Month Audit Summary* form each month and to obtain other information that may assist in this effort.

   (c) Summarize and aggregate the state's findings and any issues related to the HCTC records that are being transmitted to the HCTC office and provide recommendations and/or comments that will assist DOL, the IRS, and the SWAs to understand and develop solutions to problems.

(d) Submit your findings to the National Office, Attention: Connie Carter, by close of business, June 30, 2005.

8. Inquiries. Inquiries should be directed to Connie Carter at 202 693-3207 or Humberto Costa at 202 693-3227 in the Division of Unemployment Insurance Operations (DUIO).

9. Attachment.
HCTC End-of-Month Audit Summary

Attachment to FM No. 8-05

HCTC End-Of-Month Audit Summary

State: _____ Month/Year: _____

1. How many HCTC records were audited for this particular month? _____

2. How long did it take to verify the accuracy of the records?
_____

3. What problems, if any, were encountered in conducting the verification of the records transmission?
_____

4. Provide the reason(s) for records correctly not sent to the HCTC office (following a month in which such record was (correctly) sent to the HCTC office), i.e., why were the individuals no longer "eligible TAA or ATAA recipients?"

   Disqualification _____
   Stopped Certifying _____
   Late Certification _____
   Break-in-Training _____
   Other (explain) _____

   Provide the number of records pertaining to item #4 above, (i.e., how many audited records were found to have been correctly not sent to the HCTC Office)?
   _____

5. Provide the reason(s) for records incorrectly not sent to the HCTC office (following a month in which such record was (correctly) sent to the HCTC office, i.e., why were the individuals incorrectly determined to no longer be "eligible TAA or ATAA recipients?

   Eligibility determination error (please explain) _____
   ADP system problem _____ (please explain) _____
   Manual error_____ (please explain) _____
   Other (please explain) _____

   Provide the number of records pertaining to item #5 above, (i.e., how many audited records were incorrectly not sent to the HCTC Office during this month)?
   _____

6. Has the SWA had problems correctly identifying "eligible TAA recipients," who have not yet exhausted their unemployment insurance benefits?
____ No ____ Yes If yes, please explain:
_____
_____

7. Has the SWA had problems correctly identifying “eligible TAA recipients” who are receiving TRA? ____ No ____ Yes If yes, please explain:

_____

_____

8. Has the SWA had problems correctly identifying “eligible ATAA recipients?” No___ Yes ___ If yes, please explain:

_____

_____

9. Other Comments:

_____

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_____

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