

TRAINING AND EMPLOYMENT NOTICE	NO. 10-20
	DATE December 23, 2020

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS
AFFILIATE AMERICAN JOB CENTER MANAGERS
COMPREHENSIVE AMERICAN JOB CENTER MANAGERS
STATE WORKFORCE ADMINISTRATORS
STATE AND LOCAL WORKFORCE BOARD CHAIRS AND DIRECTORS
STATE LABOR COMMISSIONERS
STATE UI DIRECTORS
RAPID RESPONSE COORDINATORS
TRADE ADJUSTMENT ASSISTANCE LEADS

FROM: JOHN PALLASCH /s/
Assistant Secretary

SUBJECT: Expiration of the Health Coverage Tax Credit (HCTC) Program for Eligible Trade Adjustment Assistance (TAA) Recipients and Eligible Alternative TAA and Reemployment TAA (ATAA/RTAA) Recipients or Eligible Pension Benefit Guaranty Corporation (PBGC) Recipients

1. **Purpose.** To provide information and expand awareness of the expiration of the HCTC Program on December 31, 2020, and to advise States in assisting job seekers and workers.
2. **Action Requested.** States should advise eligible TAA recipients of the expiration of the HCTC Program on December 31, 2020, and of the monthly payment deadline, as well as how to claim the tax credit on their annual Federal income tax returns. States should continue to transmit individual HCTC eligibility records through April 2021.
3. **Summary and Background.**
 - a. Summary – The HCTC is not a government health insurance program; it is a Federal tax credit administered by the Internal Revenue Service (IRS), as described on the IRS HCTC Web site: www.irs.gov/hctc. The credit was originally established under the Trade Reform Act of 2002 (Pub. L. 107-210), and has been extended and modified several times since then. The credit is now set to expire on December 31, 2020.
 - b. Background – The Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA 2015) reauthorized the HCTC, an advanceable, refundable tax credit for a percentage of the premiums paid for specified types of health insurance coverage (including Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation coverage). The HCTC is available to individuals in the TAA Program identified as “eligible TAA recipients” or “eligible ATAA recipients” under section 246 of the Trade Act, as

amended (including “eligible RTAA recipients”) (referred to collectively in this guidance as “eligible TAA recipients”). This benefit is also extended to certain individuals who are receiving pension payments from the PBGC. Individuals who are eligible for the HCTC may choose to have the amount of the credit paid on a monthly basis to their health coverage provider as their monthly health plan premium becomes due (Monthly HCTC), or may claim the tax credit on their annual Federal income tax returns (Yearly HCTC).

- 4. HCTC Expiration.** The HCTC Program expires on December 31, 2020. The last month of health coverage for which the HCTC may be claimed is December 2020. The HCTC will not be available for health coverage for months starting on or after January 1, 2021. Eligible TAA recipients are responsible for paying the full amount of their health insurance premiums for coverage months beginning in 2021. States should not transmit HCTC eligibility records for months occurring in 2021 and later; however, any backdated records or other program updates affecting eligibility through the end of 2020, including deletions for 2020, continue to be required for the proper administration of the Yearly HCTC throughout the 2020 Federal tax year filing season, and States will have until April 15, 2021, to submit those records. The 2020 eligibility records will be required in order to verify individuals’ eligibility to claim the Yearly HCTC on their 2020 Federal income tax returns.

States should advise eligible TAA recipients of the following:

The Trade Preferences Extension Act of 2015, Public Law 114-27, modified and extended the HCTC Program through December 31, 2019; Public Law 116-94, the *Further Consolidated Appropriations Act, 2020*, enacted on December 20, 2019, extended the HCTC Program through December 31, 2020. After this date, the HCTC Program will have expired.

Expiration of the HCTC Program means that all Monthly HCTC payments end prior to January 1, 2021. However, eligible TAA Recipients who did not request the Monthly HCTC in 2020 and instead paid 100 percent of their health insurance premiums are entitled to claim the Yearly HCTC on their 2020 Federal income tax return. They may use Form 8885, Health Coverage Tax Credit (<https://www.irs.gov/forms-pubs/about-form-8885>), to claim the credit and calculate the amount of any HCTC for which they may be eligible.

Is there an alternative to the HCTC Program?

Taxpayers who have been eligible for and claimed the HCTC may want to contact their current health plan administrator to obtain information to assist them in determining if their current plan, without the HCTC, will continue to work for them and their families.

Check www.HealthCare.gov for health coverage options available to taxpayers and their families. This includes enrolling in health coverage through a Health Insurance Marketplace (Marketplace, also known as an Exchange) during the 2020 open enrollment period beginning November 1, 2020 through December 15, 2020. Health coverage obtained during open enrollment begins January 1, 2021. Eligible TAA recipients

enrolling through a Marketplace may qualify for the IRS Premium Tax Credit¹ to help pay premiums and out-of-pocket health coverage costs.

What is the due date for the final Monthly HCTC payment?

For participants enrolled in the Monthly HCTC, the final payment due date was December 10, 2020, for December coverage. Do not send a payment to the HCTC Program in December 2020 if it is for a coverage month that begins in January 2021 or later. For all questions about the final Monthly HCTC payment due date, please refer to the IRS HCTC website at www.irs.gov/hctc.

How long should States continue transmitting individual HCTC eligibility records to the IRS?

Since the tax credit will no longer be available for months beginning with January 2021, States are advised that, effective April 15, 2021, the HCTC data transmissions will be discontinued and HCTC application and supporting infrastructure within the Unemployment Compensation Interstate Connection (ICON) network will no longer be available. Further, the IRS will no longer accept electronically submitted individual HCTC eligibility records.

It is important that States continue to transmit individual HCTC eligibility records for eligible TAA recipients² to the IRS via ICON network through April 15, 2021, in situations where an individual's HCTC eligibility status for one or more months before January 2021 has changed. For example, if an individual was denied TRA or ATAA/RTAA for a period before January 2021 and such denial is reversed, the State should transmit an individual HCTC record for the period for which the State determines that the individual was eligible for the HCTC. Additionally, if an individual's eligibility for the income support benefit award is reversed for the period before January 1, 2021, the State should transmit an individual HCTC record for the entire month(s) prior to January 2021 for which the State determines that the individual should not have been determined to be an eligible TAA recipient.³

The IRS requires these 2020 individual HCTC eligibility records to verify who is eligible to claim the HCTC on 2020 Federal income tax returns. The IRS will disregard any individual HCTC eligibility records for months in 2021, but will retain any backdated or other eligible updates or deletions to manage the Yearly HCTC during the 2020 tax year filing season.

¹ The Premium Tax Credit (subsidy) information can be found here: <https://www.irs.gov/affordable-care-act/individuals-and-families/the-premium-tax-credit-the-basics>.

² The HCTC is available to individuals in the TAA Program identified as “eligible TAA recipients” or “eligible ATAA recipients” under section 246 of the Trade Act, as amended, (including “eligible RTAA recipients”) (referred to collectively in this guidance as “eligible TAA recipients”).

³ Ibid.

Additional resources:

Employee Benefits Security Administration (EBSA) Benefits Advisors can provide critical need-to-know information about continuation health coverage under the COBRA, special enrollment rights under the Health Insurance Portability and Accountability Act (HIPAA), and retirement rollover provisions. They may be contacted electronically at <https://www.dol.gov/agencies/ebsa/about-ebsa/ask-a-question/ask-ebsa>, or by calling toll-free at (866) 444-3272. EBSA also provides on-site assistance to dislocated workers facing job loss as a result of plant closures or layoffs by participating in State-sponsored Rapid Response sessions. Rapid Response Coordinators are encouraged to contact EBSA at the number listed above about information for and participation at Rapid Response events.

5. **Inquiries.** Visit www.irs.gov/hctc for updates. Please direct questions about HCTC expiration to the HCTC Customer Contact Center at (844) 853-7210. Direct questions about general tax-related information to the IRS at (800) 829-1040. For all TAA-related inquiries, please contact your Regional Trade Coordinator.
6. **References.** Not applicable.
7. **Attachment.** Not applicable.