

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION UI – TRA/HCTC
	CORRESPONDENCE SYMBOL OUI/DUIO
	DATE February 5, 2014

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 7-14

TO: STATE WORKFORCE AGENCIES

FROM: ERIC M. SELEZNOW /s/
Acting Assistant Secretary

SUBJECT: Expiration of the Health Coverage Tax Credit (HCTC) for Eligible Trade Adjustment Assistance (TAA) Recipients

1. **Purpose.** To further advise states of the expiration of the HCTC program and provide guidance regarding the phase out of the state data transmittals on eligible TAA recipients to the Internal Revenue Service (IRS) for HCTC purposes.

2. **References.**

- The Trade Adjustment Assistance Extension Act of 2011 (Public Law (Pub. L.) No. 112-40), enacted October 21, 2011;
- The Omnibus Trade Act of 2010 (Pub. L. No. 111-344), enacted December 29, 2010;
- Sections 1899A, 1899B, 1899C of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5), enacted February 17, 2009;
- The Trade Adjustment Assistance Reform Act of 2002 (Pub. L. No. 107-210), enacted August 6, 2002;
- Section 35 of the Internal Revenue Code (IRC) of 1986, (26 U.S.C. 35);
- Training and Employment Guidance Letter (TEGL) No. 11-02, *Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade Act of 2002 and Changes 1, 2, and 3*;
- Unemployment Insurance Program Letter (UIPL) No. 02-03, *Health Insurance Tax Credit for Eligible Trade Adjustment Assistance/Trade Readjustment Allowances (TAA/TRA) Recipients*;
- UIPL No. 05-03, *Health Insurance Tax Credit for Eligible Trade Adjustment Assistance/Trade Readjustment Allowances (TAA/TRA) Recipients*;
- UIPL No. 33-03, *Questions and Answers About Implementation of the Advance Health Coverage Tax Credit*;
- TEGL 22-08, *Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade and Globalization Adjustment Assistance Act of 2009, and Change 1*;
- UIPL No. 21-09, *Health Coverage Tax Credit (HCTC) for Eligible Trade Adjustment Assistance (TAA) Recipients*;

RESCISSIONS None	EXPIRATION DATE Continuing
----------------------------	--------------------------------------

- TEGL No. 16-10, *Instructions for Phasing Out Changes to the Trade Act of 1974 Enacted by the Trade and Globalization Adjustment Assistance Act of 2009*, and Changes 1 and 2;
- TEGL No. 10-11, *Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade Adjustment Assistance Extension Act of 2011 (TAAEA)*, and Changes 1 and 2; and
- Training and Employment Notice (TEN) No. 15-13, *Expiration of the Health Coverage Tax Credit (HCTC) Program for Eligible Trade Adjustment Assistance (TAA) Recipients and Eligible Alternative TAA (ATAA/RTAA) Recipients or Eligible Pension Benefit Guaranty Corporation (PBGC) Recipients*.

3. **Background.** The Trade Adjustment Assistance Reform Act of 2002 (Trade Act) created a Federal income tax credit, the HCTC, administered by the IRS. The HCTC subsidizes private health insurance coverage for individuals in the TAA program identified as “eligible TAA recipients” and “eligible alternative TAA (ATAA) recipients.” (See UIPL Nos. 02-03, 05-03, and 33-03.)

An “eligible TAA recipient” is defined as an individual who receives Trade Readjustment Allowances (TRA) for any day of the month (and the next month following the last month the individual meets the definition) or who would be eligible to receive TRA but for the fact that s/he has not exhausted his or her unemployment compensation (UC) entitlement. An “eligible alternative TAA (ATAA) recipient” is defined as an individual who is a worker under section 246(a)(3)(B) of the Trade Act and who is participating in the program established under paragraph (a)(1) of that section for a month and is receiving a benefit for that month.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) changed the name of ATAA to “reemployment training adjustment assistance” (RTAA) and changed the substantive requirements for the benefit available under section 246(a)(3)(B) of the Trade Act. As explained in Section J of TEGL No. 22-08, the category of individuals known as the “eligible alternative TAA recipients” includes both ATAA/RTAA recipients. The Recovery Act also provided a *Special Rule* to amend the definition of an “eligible TAA recipient” for purposes of the HCTC.

The *Special Rule* allowed coverage for an individual who:

- Is in a break in approved training that *exceeds 30 days*, and the break falls within the eligibility period for receipt of TRA provided under the Trade Act, or
- Is receiving unemployment compensation (UC) (which includes regular UC, Extended Benefits (EB), and Emergency Unemployment Compensation (EUC)) for any day of such month and who would be eligible to receive TRA (except that s/he has not exhausted UC) for such month, *without regard to the enrollment in training requirements*.

Subtitle B of the Trade Adjustment Assistance Extension Act of 2011 extended the HCTC program as provided by the Recovery Act amendments to January 1, 2014.

States transmit records of eligible TAA recipients and eligible ATAA/RTAA recipients to the IRS via the UC Interstate Connection (ICON) network. The IRS uses the states' information to determine whether the eligible TAA (or ATAA/RTAA) recipients are eligible for HCTC.

- 4. Expiration of HCTC.** The HCTC program expired on January 1, 2014, and the tax credit is no longer available. The last HCTC payment was made in December 2013. Beginning January 1, 2014, individuals who were determined to be eligible TAA recipients or ATAA/RTAA recipients are responsible for paying their full health coverage premiums.

States should plan to discontinue transmitting HCTC eligibility records for months occurring in 2014 and later; however, any backdated records or other program updates including deletions for 2013 continue to be required for the proper administration of the annual HCTC during the 2013 tax year filing season. The 2013 eligibility records will be used to verify individuals' eligibility to claim the HCTC on their Federal income tax returns.

Information about the expiration of the HCTC program has been included in the HCTC Newsletter and the IRS conducted a Webinar for states on December 18, 2013. For more information, please visit the IRS Web site at: [http://www.irs.gov/Individuals/The-Health-Coverage-Tax-Credit-\(HCTC\)-Program](http://www.irs.gov/Individuals/The-Health-Coverage-Tax-Credit-(HCTC)-Program). The Employment and Training Administration also issued TEN No. 15-13 on December 12, 2013, to provide information on this subject.

- 5. HCTC Guidance for States.** States must continue to transmit individual HCTC eligibility records for eligible TAA recipients and ATAA/RTAA recipients to the IRS via the ICON network through April 15, 2014, in situations where an individual's HCTC eligibility status for one or more months before January 2014, has changed. For example, if an individual was denied UC/TRA benefits or ATAA/RTAA for a period before January 2014 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 HCTC. Additionally, if an individual's eligibility for the income support benefit award is reversed for the period before January 1, 2014, the state should transmit an individual HCTC record for the entire month(s) before January 2014 for which the state determines that the individual should not have been determined to be an "eligible TAA recipient" or "eligible ATAA/RTAA recipient."

States are advised that effective April 15, 2014, the HCTC application and supporting infrastructure within the ICON network will no longer be available. The IRS will no longer accept electronically submitted individual HCTC eligibility records. HCTC data transmissions will no longer be needed after April 15, 2014, since the tax credit will no longer be available for months beginning with January 2014. A manual submission process must be followed to submit any outstanding 2013 eligibility records after April 15, 2014, to correct individuals' HCTC eligibility status for months before January 2014, as described above.

States may continue to direct individuals to the HCTC Customer Contact Center (CCC) and encourage them to reach out, if needed, before February 28, 2014. States should advise individuals that the CCC will be permanently closed after February 27, 2014. The CCC contact numbers until that date are: 1-866-628-HCTC (1-866-628-4282) and 1-866-626-4282 (TDD/TTY).

6. **Action Requested.** State Administrators are to provide this information to appropriate staff.
7. **Inquiries.** Please direct all inquiries to the appropriate Regional Office.