

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WIA/NEGS
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ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 9-13

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE ADMINISTRATORS
STATE WORKFORCE LIAISONS
STATE AND LOCAL WORKFORCE BOARD CHAIRS AND
DIRECTORS
STATE LABOR COMMISSIONERS
AMERICAN JOB CENTER SYSTEM LEADS

FROM: ERIC M. SELEZNOW
Acting Assistant Secretary

SUBJECT: Expiration of the Health Coverage Tax Credit (HCTC) Program and the
Associated HCTC National Emergency Grants (NEGs)

1. **Purpose.** To provide guidance regarding the use of HCTC NEG funds available for health insurance coverage assistance and support for eligible Trade Adjustment Assistance (TAA) recipients and other eligible individuals, due to the expiration of the HCTC Program on January 1, 2014.
2. **References.**
 - Trade Act of 1974, as amended (Pub. L. 93-618) (1974 Act and, as amended, Trade Act) (19 U.S.C. 2271 et seq.);
 - Workforce Investment Act (WIA) of 1998, Section 173 (29 U.S.C. 2918);
 - Trade Adjustment Assistance Reform Act of 2002 (Trade Act of 2002) (Pub. L. 107-210) Sections 201, 202, 203;
 - Internal Revenue Code (IRC) of 1986, as amended, section 35 (26 U.S.C. 35) and section 9801(c) (26 U.S.C. 9801(c));
 - TAA Health Coverage Improvement Act of 2009, Division B, Title I, Subtitle I of the American Recovery and Reinvestment Act of 2009 (Recovery Act) (Pub. L. 111-5);

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- Patient Protection and Affordable Care Act (Pub. L. 111-148);
- Omnibus Trade Act of 2010 (Pub. L. 111-344);
- Trade Adjustment Assistance Extension Act of 2011 (TAAEA) (Pub. L. 112-40);
- Training and Employment Guidance Letter (TEGL) No. 25-09, *Health Coverage Tax Credit National Emergency Grants*, dated April 30, 2010;
- TEGL 10-11, *Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade Adjustment Assistance Extension of 2011 (TAAEA)*, dated November 18, 2011;
- Training and Employment Notice (TEN) No. 2-13, *Preparing for the New Health Insurance Marketplace Coverage Options*, dated July 29, 2013;
- 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*, dated December 12, 2013.

3. **Background.** The HCTC was a tax credit administered by the Internal Revenue Service (IRS) that eligible individuals may have received either as their monthly health plan premium became due (Monthly HCTC), or as a credit on their Federal tax return (Yearly HCTC). The Monthly HCTC provided monthly payments directly to a health plan administrator on behalf of participants, which allowed them to receive the benefit of the tax credit at the time the premium was due. The HCTC provided health insurance coverage assistance to eligible TAA and ATAA/RTAA recipients and other eligible individuals, under section 35 of the IRC, as amended.

- The Trade Act of 2002 authorized the HCTC at a rate of 65 percent. The Act also authorized NEG funds to pay a percentage of health insurance premiums for the 3-month period that immediately precedes the first eligible coverage month for eligible individuals.
- The TAA Health Coverage Improvement Act of 2009, in Division B of the Recovery Act, increased the HCTC for eligible individuals from 65 percent to 80 percent of the amount paid for qualified health coverage under the IRC; the allowable percentage of health insurance premiums covered by the HCTC NEGs was also increased to align with this change.
- The increase in HCTC under the Recovery Act (80 percent) expired on February 12, 2011. The amount of the tax credit, and thus the percentage that could be covered under the HCTC NEGs, reverted to 65 percent of the premiums paid for qualified health insurance for all eligible individuals, for the months of coverage beginning March 2011.
- The TAAEA, in subtitle B, retroactively reinstated a number of HCTC enhancements that were available to workers under the Recovery Act amendments to the IRC and increased

the HCTC from 65 percent under the Trade Act of 2002 to 72.5 percent reimbursement of health insurance premiums for all eligible individuals, effective for months of coverage beginning March 2011. The percentage covered by HCTC NEG also consequently increased to 72.5 percent.

Since 2002, the Department made available and awarded HCTC NEG to over 40 states. These grant funds were used to assist eligible individuals, by paying the HCTC percentage of their health insurance premiums for up to 3 months (gap-filler payments), until the eligible individuals were enrolled in the IRS-administered HCTC Program and were receiving the Monthly HCTC. States were also awarded funds to establish an infrastructure to identify and provide the IRS with information on eligible TAA recipients and eligible ATAA/RTAA recipients. For more detailed information on HCTC NEG, please refer to TEGL No. 25-09.

4. **HCTC Expiration.** The statutory authorization for the HCTC Program expired on January 1, 2014, and the tax credit is no longer available.

New legislation was not passed to continue or amend the HCTC Program; therefore, individuals stopped receiving HCTC assistance on January 1, 2014. On January 1, 2014, new health coverage options were made available in every state; all individuals may have a range of options in Health Insurance Marketplaces and may be eligible for new tax credits for insurance or expanded Medicaid options. Additional information on the impact of the expiration of the HCTC Program on eligible TAA recipients and eligible ATAA/RTAA recipients currently enrolled in the IRS-administered HCTC Program is available in TEN No. 15-13 and on the IRS website at: www.irs.gov/hctc.

Individuals who met the HCTC eligibility requirements and continued to pay premiums directly to their qualified health plan during 2013, but who did not meet the October 1, 2013 registration deadline for the Monthly HCTC, may claim the Yearly HCTC tax credit on their 2013 Federal income tax returns.

5. **Impact of the HCTC Expiration on HCTC NEG.** Due to the expiration of the IRS-administered HCTC Program, the Employment and Training Administration (ETA) is no longer accepting **new** applications or modification requests to existing HCTC NEG.
6. **“Wind-Down” of HCTC NEG Activities.** HCTC NEG grantees must conduct “wind-down” HCTC NEG activities in accordance with the directions provided below:
 - Read and disseminate the latest information on the HCTC Program found on the IRS Web site at: www.irs.gov/hctc.
 - Inform individuals about the U.S. Department of Health and Human Services updated Web site, located at: www.healthcare.gov. This Web site offers tools, videos, and other resources to help individuals learn about the Health Insurance Marketplace of new health insurance options made available under the Affordable Care Act (ACA), as discussed further in TEN No. 2-13. Individuals may also call 1-800-318-2596 to find out more about new coverage options available under the Affordable Care Act.
 - **States should continue to transmit eligibility files to the Interstate Connection Network (ICON) as usual to ensure eligibility information or other updates are**

appropriately reflected in the IRS records. Currently, ETA anticipates that this will be necessary through April 11, 2014; however, the IRS is expected to provide a formal notification of the ICON disconnection in March 2014.

Additionally, the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) administers several important health benefit laws covering employer-based health plans. This includes specific laws protecting workers' rights to health benefits when they lose coverage or change jobs. There may be several options available to help individuals maintain health coverage after the expiration of HCTC.

For more information on these options and the laws that protect health benefits, see EBSA's Web site at www.dol.gov/ebsa, contact EBSA Benefits Advisors electronically at www.askebsa.dol.gov, or call toll-free 1-866-444-3272. If job seekers have questions about their rights under the ACA, the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Health Insurance Portability and Accountability Act (HIPPA), or related health benefits laws, they can contact an EBSA Benefits Advisor through the Web site and phone number listed above.

7. **Inquiries.** Please direct questions regarding this guidance, or HCTC NEG's, to the appropriate regional office.

For inquiries related directly to the HCTC, please call the HCTC Customer Contact Center toll-free at 1-866-628-HCTC (4282). For those with a hearing impairment, call 1-866-626-4282 (TTY). The Customer Contact Center is open from 8:00 a.m. - 5:00 p.m. Central Time, Monday through Friday.

Please direct questions regarding general tax-related information to the IRS at 1-800-829-1040. Please direct questions regarding the completion of tax forms to the IRS at 1-800-829-3676.