

<b>EMPLOYMENT AND TRAINING ADMINISTRATION</b> <b>ADVISORY SYSTEM</b> <b>U.S. DEPARTMENT OF LABOR</b> <b>Washington, D.C. 20210</b>	<b>CLASSIFICATION</b> UI – TRA/HCTC
	<b>CORRESPONDENCE SYMBOL</b> OUI/DUIO/DPM
	<b>DATE</b> October 25, 2016

**ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 1-17**

**TO:** STATE WORKFORCE AGENCIES  
TRADE ADJUSTMENT ASSISTANCE LEADS

**FROM:** PORTIA WU /s/  
Assistant Secretary

**SUBJECT:** Health Coverage Tax Credit (HCTC) for Eligible Trade Adjustment Assistance (TAA) Recipients and Alternative TAA (ATAA) and Reemployment TAA (RTAA) Recipients.

1. **Purpose.** To advise State Workforce Agencies (SWAs) about their responsibilities related to the HCTC program for Calendar Year (CY) 2016; provide guidance regarding state data transmittals of eligible TAA and ATAA/RTAA recipients to the Internal Revenue Service (IRS) for HCTC purposes for CY 2017; and to announce an opportunity for SWAs to request funding to support the costs associated with the reinstatement of the advance credit option of the HCTC program.

2. **References.**

- The Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA 2015), Title IV of the Trade Preferences Extension Act of 2015 (Public Law (Pub. L.) No. 114-27), enacted June 29, 2015, which amends the Trade Adjustment Assistance program under the Trade Act of 1974, Pub. L. No. 93-618, and Section 35 of the Internal Revenue Code (IRC);
- The Trade Adjustment Assistance Extension Act of 2011 (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 (TAA Reform Act) (Pub. L. No. 107-210), enacted August 6, 2002;
- Section 35 of the IRC of 1986, (26 U.S.C. 35);
- 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*;

<b>RESCISSIONS</b> None	<b>EXPIRATION DATE</b> Continuing
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- UIPL No. 24-03, *Implementation of the Advance Health Coverage Tax Credit (HCTC) 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*;
- UIPL No. 21-09, *Health Coverage Tax Credit (HCTC) for Eligible Trade Adjustment Assistance (TAA) Recipients*;
- UIPL No. 12-11, *Health Coverage Tax Credit (HCTC) for Eligible Trade Adjustment Assistance (TAA) Recipients - Expiration of the American Recovery and Reinvestment Act of 2009 Provisions Expanding HCTC*;
- UIPL No. 07-14, *Expiration of the Health Coverage Tax Credit (HCTC) for Eligible Trade Adjustment Assistance (TAA) Recipients*;
- 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*;
- TEGL No. 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*;
- 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*;
- TEGL No. 5-15, *Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA 2015)*;
- 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*; and
- TEN No. 25-15, *Reinstatement of the Health Coverage Tax Credit (HCTC) for Eligible Trade Adjustment Assistance (TAA) Recipients and Alternative TAA (ATAA) and Reemployment TAA (RTAA) Recipients*.
- Standard Grant Terms and Conditions - <https://www.doleta.gov/grants/resources.cfm>

3. **Background.** TAARA 2015 reinstated the HCTC program through 2019. The HCTC program has gone through multiple iterations in the TAA statutory reauthorizations. Title II of the TAA Reform Act created the initial HCTC Federal income tax credit, which subsidizes certain health insurance coverage for eligible PBGC pension recipients as well as individuals in the TAA program identified as:

- Eligible TAA recipients, and
- Eligible ATAA/RTAA recipients.

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 ATAA/RTAA 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 under section 246(a)(2) of the Trade Act for that month. An individual will continue to be treated as an eligible ATAA/RTAA recipient during the first month that such individual would otherwise cease to be an eligible ATAA/RTAA recipient.

UIPL Nos. 02-03; 05-03; 24-03; 33-03; 21-09; 12-11; and 07-14 provided guidance, instructions, and information to the SWAs about the HCTC program.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) changed the name of ATAA to “reemployment trade adjustment assistance” (RTAA), and changed the substantive requirements for the benefits available under section 246(a)(3)(B) of the Trade Act. As explained in Section J of Attachment A of TEGL No. 22-08, the category of individuals known as the “eligible alternative TAA recipients” includes both ATAA and 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* provides that an individual is an eligible TAA recipient for purposes of the HCTC if the individual:

- Has 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 UC (which includes regular UC, Extended Benefits (EB), and any Federal supplemental compensation (as defined at 20 CFR 617.3(oo))) for any day of such month and who would be eligible to receive TRA under section 231 of the Trade Act (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, except that it reduced the credit from 80 percent to 72.5 percent. That HCTC program was in effect through 2013, when it expired.

TAARA 2015 provides for the same percentage credit (i.e., 72.5 percent) for the HCTC that was in effect on December 31, 2013. Further, TAARA 2015 provides retroactive HCTC to eligible TAA and ATAA/RTAA recipients who would have been qualified to receive the HCTC for the period from January 1, 2014 through June 28, 2015, and prospectively from

the date of enactment of TAARA 2015 (June 29, 2015) to individuals who are qualified for the HCTC.

The IRS has begun an outreach effort to inform individuals of the reinstatement of the HCTC and has posted information on the IRS website at [www.irs.gov/hctc](http://www.irs.gov/hctc) and has issued other related guidance, forms, and instructions. The Department of Labor's Employment and Training Administration (ETA) issued TEN No. 25-15 to provide guidance to SWAs regarding the documentation that individuals will need to provide to confirm the status as an eligible TAA or ATAA/RTAA recipient to apply for the HCTC for CYs 2014 and 2015.

Before the expiration of the HCTC on December 31, 2013, SWAs transmitted the records of eligible TAA and ATAA/RTAA recipients to the IRS via the Unemployment Insurance (UI) Interstate Connection Network (ICON). Upon receipt of the SWA's information, the IRS determined whether the eligible TAA and ATAA/RTAA recipients were also eligible for HCTC. ICON will be used again to transmit the information to the IRS.

ICON is a telecommunications network used by SWAs for UI purposes. ICON is managed through a cooperative agreement between ETA and the Maryland Department of Labor, Licensing, and Regulation (MD DLLR). MD DLLR has a contract with a vendor, Xerox State & Local Solutions, Inc. (Xerox), to manage the day-to-day operations of ICON.

- 4. Documentation of Eligible TAA or ATAA/RTAA Recipient Status Needed to Apply for HCTC for CY 2014, 2015, and 2016.** The IRS has informed ETA that in seeking HCTC, individuals who filed or amended their prior year tax returns (such as for 2014 and/or 2015) or submit 2016 tax returns will need to provide proof of their eligible TAA or ATAA/RTAA recipient status with their Form 8885, *Health Coverage Tax Credit*. The IRS has requested that states provide proof of eligible TAA or ATAA/RTAA recipient status to taxpayers needing such proof for submission with their tax returns.

Proof of eligible TAA or ATAA/RTAA recipient status for each tax year must be provided separately (i.e., proof of eligible TAA or ATAA/RTAA recipient status for each tax year). States need to confirm only that the individual received a payment for any one day/week in any one month during the calendar year. The IRS will determine whether the individual is eligible for the HCTC. The following information will provide proof of an individual's status as an eligible TAA or ATAA/RTAA recipient.

**Date:**

**Eligibility Year:** [Year individual was an eligible TAA or ATAA/RTAA recipient]

**SSN:**

**First Name:**

**Last Name:**

**Claimant Address:**

Please refer to a sample letter/document provided in Attachment A in TEN No. 25-15.

5. **HCTC Eligibility Beginning in CY 2017 and Thereafter.** TEN No. 25-15 stated that the IRS will have the advance credit option available to taxpayers beginning June 2016. However, the IRS has delayed the implementation of the advance credit option, so that it will be available beginning January 2017. Once the advance credit option is in effect, state agencies should advise “eligible TAA recipients” and “eligible ATAA/RTAA recipients” that as taxpayers they have an additional benefit.

The advance credit option will provide 72.5 percent of the payable premium for a qualified health insurance plan as a monthly credit. This amount will be forwarded by the IRS to the qualified health insurance plan on behalf of the individual receiving the advance credit. The taxpayer will be responsible for the payment of the 27.5 percent of the payable premium on a monthly basis. However, taxpayers may choose instead to continue to pay 100 percent of the premium and claim the credit when filing the yearly tax return. Until the advance credit option is implemented in January 2017, and taxpayers elect that option, in general, taxpayers must continue to pay 100 percent of the payable premium for qualified health insurance. (However, the IRS is implementing a limited interim process during the summer of 2016 for making advance payments in 2016. For more information, see [www.irs.gov/hctc](http://www.irs.gov/hctc). This is different than the advance credit option described elsewhere in this document.)

Taxpayers should be fully informed that to avail themselves of the advance credit option, they should follow the IRS instructions provided at [www.irs.gov/hctc](http://www.irs.gov/hctc). Taxpayers must enroll in the advance credit option and receive confirmation by the IRS of their enrollment in the program before the advance credit option is in effect for them. Upon enrollment, the taxpayer will receive detailed instructions from the IRS on the procedures to follow to claim the monthly credit. Until such time as a confirmation notice of the enrollment is provided by the IRS, the individual taxpayer is responsible for paying 100 percent of the health insurance premium. The IRS is currently working on the details for this process and, once completed, such information will be provided on the HCTC website.

6. **HCTC Data Transmission through ICON.** Effective January 1, 2017, SWAs will identify and transmit to the IRS, via ICON, the information on all individuals who meet the designation of “eligible TAA or ATAA/RTAA recipients.”

ICON will remain as the communications vehicle through which SWAs will transmit information to the IRS for HCTC purposes. Attachment A of this UIPL provides an overview of ICON HCTC transmission process.

SWAs must use the HCTC application to transmit through ICON the monthly lists of eligible TAA and ATAA/RTAA recipients as well as daily updates containing changes to the initial monthly list. In order to be prepared to make such transmissions, SWAs must complete, by December 31, 2016, their HCTC application certification process, conducted by Xerox, before using the HCTC application for ongoing transmission of HCTC data through ICON to the IRS.

SWAs that are able to reactivate their HCTC application used prior to the 2014 expiration of the HCTC program must use that HCTC application to transmit the lists through ICON to the IRS. SWAs that are not able to reactivate their HCTC application used prior to the 2014 expiration of the HCTC program must program and implement the applications using the two attachments provided with this advisory.

SWAs must follow the steps outlined below for successful transmission of HCTC data to the IRS over ICON:

- Contact Xerox at 800-327-9250, and select the phone menu option 2 to obtain information required for making the necessary technical connections for transmitting the HCTC data file through ICON. Data files can be transmitted through ICON using any of the available data exchange protocols, such as Transmission Control Protocol/Internet Protocol/Network Job Entry (TCP/IP/NJE), File Transfer Protocol Secure (FTPS), and web services. Additionally, each SWA must provide Xerox the name, title, and phone number of a person that the IRS and Xerox may contact for any questions regarding the data transmission.
- Once the connection process is completed, each SWA must send the approved test file through ICON, so that Xerox can validate and certify that the data file meets the required Record Format provided in Attachment B. The validation of deployment will ensure that the entire process is complete, including the issue resolution portion. The existing IB-13 application (discussed in Attachment A) will be used to resolve any problems or issues with the data sent to the IRS.
- Once the SWA's HCTC system is validated and certified by Xerox, the transmission of the data files may be initiated.

7. **Available Grant Funding.** States may apply for HCTC Infrastructure Dislocated Worker Grants (HCTC Infrastructure DWGs) to cover administrative costs for activities described in this advisory, notifying workers, public education about the benefit, staff training, and outreach activities related to the reinstatement of the advance credit option of the HCTC program. Requests for up to \$500,000 per state will be accepted, and the Department expects that the majority of SWAs will request funds prior to the January 1, 2017, implementation date. If funding greater than \$500,000 is required, SWAs may submit a justification to the Department for consideration. The grant period of performance will be from the date of the award (no earlier than October 1, 2016) through December 31, 2019, or the total expenditure of the awarded funds, whichever is earlier. Quarterly financial and narrative reports will be required, as described below. All grant funding under this UIPL is subject to the grant terms and conditions for 2016 found at <https://www.doleta.gov/grants/resources.cfm>." SWAs must submit requests for funding according to the application procedures below.

8. **Application Submission Requirements.** Applications submitted requesting funding for administrative costs in response to this UIPL must contain four separate and distinct parts: (1) SF-424 "Application for Federal Assistance;" (2) SF-424A Budget Information Form; (3) Budget Narrative; and (4) Project Narrative. It is each state's responsibility to ensure that the funding amount requested is consistent across all parts and sub-parts of the application.

Applications for funding under this project must be submitted through [www.grants.gov](http://www.grants.gov). Applications will be accepted on rolling basis as long as funds remain available or until September 30, 2019. To submit the required documents, States must follow the “Apply for Grants” link on grants.gov, and download the links for the grant application package. States should not follow the “Find Grants” link, as this is not a competitive funding opportunity.

**A. SF-424, “Application for Federal Assistance”**

A state must complete the SF-424, “Application for Federal Assistance” OMB Control No. 4040-0004.

An SF-424 electronically submitted through grants.gov constitutes the official signed document. Item #11 must include the HCTC Catalog of Federal Domestic Assistance Number, (17.276). Upon confirmation of an award, the individual signing the SF-424 on behalf of the applicant is considered the Authorized Representative of the applicant. As stated in block 21 of the SF-424 form, the signature of the Authorized Representative on the SF-424 certifies that the organization is in compliance with the Assurances and Certifications form SF-424B (available at <http://apply07.grants.gov/apply/forms/sample/SF424B-V1.1.pdf>). You do not need to submit the SF-424B with the application.

**B. Project Budget**

A state must complete the SF-424A Budget Information Form OMB Control No. 4040-0006.

**C. Budget Narrative**

The budget narrative must provide a description of costs associated with each line item on the SF-424A, demonstrating how grant funds will be used. It must also include a description of leveraged resources provided (as applicable) to support grant activities.

Note that the SF-424, SF-424A, and budget narrative must include the entire Federal grant amount requested (not just for one year). Do not show leveraged resources on the SF-424 and SF-424A. A state should describe leveraged resources in the budget narrative. The requested Federal grant amount listed on the SF-424, SF-424A, and budget narrative must be the same. The funding amount included on the SF-424 will be considered the official funding amount requested if any inconsistencies are found.

**D. Project Narrative**

The Project Narrative must demonstrate the state’s capability to implement the grant project in accordance with the provisions of this announcement. It must provide a comprehensive framework and description of all aspects of the proposed project. It must be succinct, self-explanatory, and well-organized so that reviewers can understand the proposed project. Examples of activities for which funding may be requested include (but are not limited to): 1) outreach to notify eligible individuals regarding the availability of the advance credit option of the HCTC program; 2) process improvements

to ensure eligible TAA and ATAA/RTAA recipients are correctly identified; 3) development/implementation of information technology systems related to the requirements this advisory; and 4) HCTC staff training.

#### **E. Reporting**

Each grant recipient is required to submit an ETA 9130, Quarterly Financial Status Report (OMB Control Number 1205-0461) until such time as all funds have been expended or the grant period has expired. Quarterly reports are due 45 days after the end of each calendar year quarter. On the final Financial Status Report, grant recipient must include any sub-award amounts so that applicable final indirect costs may be calculated. The ETA 9130 report must be submitted using the Department's Online Electronic Reporting System. Specific instructions on how to use that system will be provided after the award.

A prospective HCTC DWG applicant webinar to outline these requirements will be provided in the upcoming weeks. Information on the specific date and time will be disseminated via e-mail to state workforce offices.

If applicants encounter a problem with grants.gov and do not find an answer in any of the other resources, call 1-800-518-4726 or 606-545-5035 to speak to a Customer Support Representative or email [support@grants.gov](mailto:support@grants.gov).

- 9. OMB Information Collection.** OMB Information Collection No 1225-0086, expires May 31, 2019. According to the Paperwork Reduction Act of 1995, no person is required to respond to a collection of information unless such collection displays a valid OMB control number. Public reporting burden for this collection of information is estimated to average **20** hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments about the burden estimated or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Labor, to the attention of the Departmental Clearance Officer, 200 Constitution Avenue NW, Room N1301, Washington, D.C. 20210. Comments may also be emailed to [DOL\\_PRA\\_PUBLIC@dol.gov](mailto:DOL_PRA_PUBLIC@dol.gov). PLEASE DO NOT RETURN THE COMPLETED APPLICATION TO THIS ADDRESS. SEND IT TO THE SPONSORING AGENCY AS SPECIFIED IN THIS ANNOUNCEMENT.
- 10. Action Requested.** SWAs are requested to take the necessary actions to transfer the necessary information to the IRS to support the reinstatement of the HCTC as described in this UIPL. If SWAs are interested in applying for HCTC Infrastructure DWG funding, they must follow the provisions outlined in this UIPL and its attachments. SWA Administrators are also requested to provide this information to appropriate staff.
- 11. Inquiries.** Please direct all inquiries regarding HCTC implementation to the appropriate Regional Office. Inquiries concerning the HCTC Infrastructure DWG funding opportunity

submission process should be directed to Chanta Ferrell, Grants Management Specialist at [Ferrell.Chanta@dol.gov](mailto:Ferrell.Chanta@dol.gov).

**12. Attachments.**

Attachment A - HCTC ICON System Overview & Documentation

Attachment B - ICON Reporting Format for Reporting Data to the HCTC