



Retired Public Safety Officer Frequently Asked Questions

Wisconsin Department
of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Disclaimer: The following information is accurate to the best of ETF's knowledge. You should not solely rely on the information contained below and should consult with an attorney, tax advisor, or the IRS if you have questions about your eligibility. ETF cannot provide legal or financial advice.

General Program Information

1. What is this program?

The Retired Public Safety Officer Insurance Premium Deduction Program allows eligible, retired public safety officers to use distributions from their annuity to pay qualified health or long-term care insurance premiums as defined in Internal Revenue Code (IRC) Section 7703B(b) and exclude up to \$3,000 of those premiums on their annual tax return, if eligible for and in accordance with the IRC. For annuity distributions made on or after January 1, 2023, eligible retired public safety officers (PSO), as defined in section 402(l)(4)(B) of the IRC, **may now self-certify** their eligibility for the PSO Program on their taxes and no longer must apply for and have their insurer approve their eligibility for and amount of their deduction.

2. What federal law created the income tax exclusion that is directly related to this program?

The federal Pension Protection Act of 2006 contains a provision permitting eligible, retired public safety officers to exclude up to \$3,000 for qualified health insurance premiums paid by them from their gross taxable income each year.

3. Where can I find more information about the retired public safety officer federal income tax exclusion?

You can read more about the income tax exclusion in IRS Publication 575, *Pension and Annuity Income*, and the IRS Form 1040 instructions.

Program Eligibility

4. Who is eligible to participate in this program?

Retired public safety officers as defined by federal law are eligible to participate. The following links, available through the IRS web site, provide the federal regulations on the income tax exclusion and the federal definition of an eligible public safety officer (you must scroll through the information on these sites to find the applicable public safety officer sections):

<https://www.law.cornell.edu/uscode/text/26/402>

<https://codes.findlaw.com/us/title-42-the-public-health-and-welfare/42-usc-sect-3796.html>

5. I retired as a public safety officer. Who can tell me if I'm eligible for this program?

It is the responsibility of each individual to determine his or her eligibility based on the federal regulations. ETF cannot determine eligibility because federal law defines who is eligible. If you are unsure about your eligibility for the program, contact your tax adviser or the IRS.

6. I worked as a public safety officer for many years, but I retired in a different position. Am I still eligible?

You must have retired as a public safety officer to be eligible. Your retirement as a public safety officer also must have been from the employer who has the retirement plan from which you are receiving a benefit.

7. I took an early retirement. Am I eligible?

No. To be eligible for the program, you must have retired as a public safety officer at the normal retirement age stated in your plan's provisions or retired due to disability. For the Wisconsin Retirement System, the normal retirement age for each employment category is:

Age 53: Protective occupation participants with at least 25 years of creditable service, including creditable military service.

Age 54: Protective occupation participants with less than 25 years of creditable service, including creditable military service.

Age 62: Elected officials and state executive retirement plan employees.

Age 65: General employees, teachers, and educational support staff.

If you left service due to a duty disability and took a retirement benefit when first eligible, you may be eligible for this program regardless of your years of service or age when the retirement benefits started.

8. If I took an early retirement, do I become eligible when I reach my normal retirement age?

No. A public safety officer who retires early does not become eligible later to participate in the program.

An early retirement window existed from 1989–1990 that allowed participants to retire early and still be considered retiring at normal retirement age. Early Retirement Window, Wis Act 13, Effective: May 16, 1989 through June 30, 1990. Eligibility: Participants must terminate WRS employment on or after May 16, 1989 but before July 1, 1990.

9. I retired due to a disability. Am I eligible?

Yes. One requirement for eligibility in the program for officers with a disability is that you must have retired as a public safety officer through a disability and are receiving a retirement benefit.

10. I am receiving a duty disability benefit. Am I eligible?

Maybe. You need to discuss this possibility with your attorney or tax advisor.

Income Tax Exclusion

11. How do I take the income tax exclusion for my payment of health insurance premiums?

If you are an eligible, retired public safety officer, you can take this tax exclusion on your IRS Form 1040 annual income tax return. See the [Form 1040](#) for information on how to complete the form to take the exclusion. See Also [IRS Publication 575](#).

12. How much can I exclude from my taxable income?

If you are eligible, you can exclude up to a maximum amount of \$3,000 per tax year. The amount you exclude cannot be greater than the amount of your annuity used to pay your eligible insurance premiums for the tax year.

You will have to track this information and certify it on your income taxes

13. What happens if both my spouse and I are retired public safety officers?

If you both are eligible, retired public safety officers and you meet all the federal regulations, you and your spouse are allowed to exclude up to \$3,000 each from your federal taxable income.

14. Is the income tax exclusion passed on to my surviving spouse or dependents following my death?

No. The tax exclusion applies only to an eligible, retired public safety officer. The tax exclusion does not extend to your spouse or dependents following your death.

Insurance Qualifications

15. Do my health insurance premiums qualify for the income tax exclusion?

For your health insurance premiums to qualify, they must meet all of the following criteria:

1. Cover medical, dental, vision and/or long-term care insurance, as defined in federal regulations, and
2. Provide coverage for you, your spouse or your dependents.

16. Do premiums paid to self-insured plans qualify for this income tax exclusion?

Yes. An IRS correction was issued that allows premiums paid to self-insured insurance plans to qualify for the tax exclusion. Initially, the IRS ruled that premiums for a self-insured insurance plan did not qualify.

Miscellaneous

17. If I am covered under a State of Wisconsin group insurance plan and my insurance premiums are being paid from my sick leave credits, do my sick leave credits count as insurance premiums for the income tax exclusion?

Likely Not. You should discuss this option with your attorney or tax advisor. Federal regulations for the income tax exclusion state that you must pay for the insurance premiums from your annuity payment.

Other Programs

18. If I participate in the Wisconsin Deferred Compensation Program, can I have insurance premiums deducted from my deferred compensation account for the retired public safety officer federal income tax exclusion?

Yes. For more information contact the Wisconsin Deferred Compensation Program.

Additional Information

19. Where can I find more information on the Retired Public Safety Officer Insurance Premium Deduction Program?

You can find more information about the program on ETF's website, etf.wi.gov, including: [Retired Public Safety Officer Insurance Premium Deduction Program \(ET-4118\)](#)

If you have questions, you can contact us through the ETF website or by calling 1-877-533-5020.