

MEMO

<p style="text-align: center;">FIREFIGHTERS' RETIREMENT SYSTEM</p>

To: Retirees with Insurance Deductions
From: FRS Administration Office
Subject: Insurance Premiums for Retired Public Safety Officers

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for accident or health insurance or long term care insurance. The premiums can be for coverage for you, your spouse, or dependents. The distributions must be made directly from the plan to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or \$3,000. You can only make this election for amounts that would otherwise be included in your income. The amount excluded from your income can't be used to claim a medical expense deduction.

An eligible retirement plan is a governmental plan that is:

- a qualified trust
- a section 403(a) plan
- a section 403(b) annuity
- a section 457(b) plan

If you make this election, reduce the otherwise taxable amount of your pension or annuity by the amount excluded. The amount shown in box 2a of Form 1099-R doesn't reflect this exclusion. Report your total distribution on Form 1040, or Form 1040NR. Report the taxable amount on Form 1040, Form 1040A, or Form 1040NR. Enter "PSO" next to the appropriate line on which you report the taxable amount.

If you are not sure of the amount of insurance premiums you paid during the year, please contact your local employer. The retirement system does not have that information. If you have any other questions, please contact the IRS, or your tax professional.