Pre-Tax Contribution Program (PTCP) Fact Sheet
(Please Post This Information Prominently)

Under the Pre-Tax Contribution Program (PTCP), you may have your share of your health insurance premium deducted from your gross wages before taxes are withheld. This program may lower your taxes.

Who is Eligible

If you are an active State employee who receives regular payroll checks and has health insurance premiums withheld from your paycheck, you are eligible to participate in the PTCP. You will not be eligible to participate in PTCP if you pay for your health insurance directly instead of by payroll deduction (for example, if you are on Leave Without Pay (LWOP).

Tax Savings

Making your contributions to your health insurance premium on a before tax basis (contributions are made before taxes are withheld) effectively reduces your salary by the amount of your contribution. Therefore, you pay taxes based on a lower salary. These salary-based taxes include Federal income taxes, Social Security taxes, and most State and local income taxes. (If you live in New Jersey or in Erie, Philadelphia or Pittsburgh, Pennsylvania, you are not allowed to reduce your State or local taxable income by the amount of your health plan contribution. If you live in these areas, only your Federal income taxes and Social Security taxes will be affected.) The amount you save in taxes will depend on the amount of your income, your premium and the number of withholding allowances that you claim on your taxes. Contact your tax professional for advice on how participation in PTCP will affect you.

Automatic Deductions and Opt-Out Period

If you are eligible for PTCP, you will be enrolled automatically in the Program unless you file a PS-404 Form with your agency Health Benefits Administrator indicating that you decline to participate. New employees who want to opt out must do so at the time they enroll for health insurance coverage. Once enrolled in NYSHIP, if you want to opt out, you must do so for each tax year by the designated Pre-Tax Selection Period deadline. For example, to opt out of PTCP for the 2004 Plan Year, you must complete the PS-404 and return it to your HBA, no later than November 30, 2003.

Domestic Partners: Not Eligible for Pre-Tax

Under IRS pre-tax rules, unless a domestic partner qualifies as a dependent for income tax purposes under Section 152 of the Internal Revenue Code, a domestic partner is not a federally-qualified dependent and coverage cannot be provided on a pre-tax basis. Therefore, if you cover your non-federally qualified partner, the portion of the premium you pay for Family health insurance coverage must be taken on a post-tax basis.

Changes Permitted for PTCP Enrollees Outside of November Election Period

Under Internal Revenue Service (IRS) regulations, if you participate in PTCP, you may change your health insurance deduction only when one of the following PTCP qualifying events occurs:

- You have a change in family status (e.g. marriage, birth, death, legal separation, divorce, attainment of the maximum coverage age in the case of a dependent child, or other loss of dependent eligibility).
- You are enrolled in an HMO and move out of that HMO's service area and you must choose another HMO or the Empire Plan.
- Your spouse loses his/her coverage due to termination of employment and you apply for coverage for your spouse under NYSHIP.
- You first become eligible for health coverage on or after January 1, 2004.
- Your employment with the State terminates, or you retire.
- Your spouse has a change in employment status, which results in either acquiring or losing eligibility for health insurance coverage.
- You receive a divorce/legal separation and are required under a court order to provide health insurance coverage for your eligible dependent children.
- There is a significant change in your or your spouse's health coverage, which is attributable to your spouse's employment.
- You or your spouse goes on LWOP during the Plan Year. You may request a change of coverage during your LWOP or upon return from LWOP. This request must be made within 28 days of your return.

IRS Regulations: Arbitrary Changes Not Permitted During the Year

Internal Revenue Service (IRS) regulations require an employer to take a fixed pre-tax contribution toward an employee's coverage throughout the PTCP year unless a qualifying event or a significant change in your spouse's employment occurs. Changes that do not stem from a qualifying event are defined by the IRS as arbitrary health insurance coverage changes. These arbitrary changes in health insurance coverage cannot change the amount of your health insurance deduction.