



## Department of Civil Service

ANDREW M. CUOMO  
Governor

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**TO:** New York State Agency Health Benefits Administrators  
**FROM:** Employee Benefits Division  
**SUBJECT:** Pre-Tax Contribution Program (PTCP)  
**DATE:** November 3, 2015

Each November employees may make changes which can affect their tax liability when enrolled in the New York State Health Insurance Program (NYSHIP). During the month of November, employees may choose either to participate or not to participate in the Pre-Tax Contribution Program (PTCP). During November, an employee enrolled in the PTCP may also make changes to his or her coverage which impacts the employee's pre-tax deduction for the new plan year, absent a PTCP qualifying event<sup>1</sup>.

### Choosing to Participate in PTCP

The PTCP is a voluntary program in which an employee's share of the health insurance premium is deducted from his or her wages *before* taxes are withheld. Employees who participate in this program may lower their tax liability, but they also are restricted as to when they can make changes to their biweekly health insurance pre-tax deductions. Changes in pre-tax deductions during the plan year can only be made if a timely (within 30 days of date of event) request is made in response to a PTCP qualifying event, and the change satisfies the PTCP consistency rule<sup>2</sup>.

Employees can choose to participate in PTCP when they are first eligible for benefits. Employees may also change their PTCP status each year during the PTCP Election Period from **November 1 through November 30**. The change in status becomes effective for the new plan year.

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<sup>1</sup> Employees enrolled in PTCP may request a change to their coverage during November, however HBAs may not be able to process these requests in NYBEAS until the annual Option Transfer Period keying window is open. Refer to the annual Option Transfer Period HBA memo for these keying window dates.

<sup>2</sup> Under the "general consistency rule," an election change satisfies the consistency requirement "if the election change is on account of and corresponds with a change in status that affects eligibility for coverage under an employer's plan." For example, if the change in status is the employee's divorce, an employee's election to cancel health coverage will apply only to the spouse (and stepchildren, if any) whose eligibility is affected by the divorce.

If at the time the employee is first eligible for benefits, the employee does not elect to participate in PTCP, the employee will not be allowed to participate in PTCP for the remainder of that plan year. This means that all of the employee's share of health insurance premium will be deducted after taxes have been withheld from wages. The employee can only request a change to his or her PTCP status during the next PTCP Election Period, in November.

### **Choosing NOT to Participate in PTCP**

Employees who decline participation in PTCP have the employee's share of the health insurance premium deducted from their wages *after* taxes are withheld. Employees who do not participate in PTCP have greater flexibility to make arbitrary changes to their NYSHIP coverage, as long they are consistent with NYSHIP rules.

### **Tax Savings Under PTCP**

Employees who participate in the PTCP will have taxes (federal income taxes, Social Security taxes and most State and local income taxes) withheld based upon a lower income. Employees may have a lower tax liability for that year.

### **Restrictions Under PTCP**

Under Internal Revenue Service (IRS) rules employees enrolled in PTCP may change their **pre-tax payroll deduction for health benefits** during the Plan year only after a PTCP qualifying event. In other words, in exchange for this reduction of tax liability, the employee agrees to maintain **the same pre-tax health insurance deduction for the entire plan year** unless the employee provides timely (within 30 days) notification of a qualifying event and the consistency rule is satisfied, which would allow the employee to make a change to the pre-tax premium deductions.

### **Qualifying Events Under PTCP**

Pre-tax payroll deductions can be changed during the tax year only after one of the following PTCP qualifying events when the request is made timely and satisfies the consistency rule:

- Change in employee's marital status
- Change in employee's number of dependents
- Change in the employment status of employee, spouse or dependent that affects eligibility for health benefits
- Dependent satisfies or ceases to satisfy eligibility requirements for health benefits
- Change in place of residence or worksite of the employee, spouse or dependent that affects eligibility for health benefits
- Significant change in health benefits and/or premium under NYSHIP
- Significant change in health benefits and/or premium under the employee's or dependent's other employer's plan
- COBRA events

- Judgment, decree or order to provide health benefits to eligible dependents
- Medicare or Medicaid eligibility
- Leaves of absence
- HIPAA special enrollment rights

**A change in coverage due to a qualifying event must be requested within 30 days of the event (or within the waiting period if newly eligible) and must satisfy the consistency rule. Delays may be costly.**

### **Arbitrary Changes for PTCP Enrollees**

Beginning with the 2016 Plan Year, “split deductions” will be available to allow for an enrollee’s premium to be split between pre-tax and post-tax deductions. This allows for most arbitrary (non-qualifying) changes for PTCP enrollees to be made, by splitting off the resultant increase in the enrollee premium to be taken on a post-tax basis. The change also allows for PTCP enrollees to add non-federally qualified domestic partners to their coverage with the additional dependent premium taken on a post-tax basis. A PTCP enrollee is still not permitted to change his or her pre-tax deduction by changing or cancelling coverage in the absence of a PTCP qualifying event<sup>3</sup>.

A Policy Memo will be issued soon regarding NYSHIP rules and the Pre-Tax Contribution Program.

### **Employee Postings Regarding PTCP**

Enclosed with this HBA memo is the Pre-Tax Contribution Program Fact Sheet, or Attachment A, which should be posted publicly for employees during the PTCP Election Period. Attachment A summarizes the differences between choosing to participate in the PTCP compared to not participating in the PTCP.

In addition to Attachment A, a chart titled, “Enrolled in Pre-Tax Contribution Program” was developed to assist HBAs with questions PTCP enrollees may have when requesting changes to their health coverage (e.g., adding or removing dependents, cancelling coverage, changing options, etc.).

If you have any questions, please contact the HBA Help Line at 518-474-2780.

### **Attachments**

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<sup>3</sup>NYSHIP rules do not allow enrollees to cover ineligible dependents. If a PTCP enrollee requests to remove an ineligible dependent from coverage, that request should be processed in NYBEAS. If the removal of that dependent results in a change from Family to Individual coverage, then enrollee will have a lower pre-tax deduction resulting in a higher taxable income. At the current time, we are unable to process this request and allow the enrollee to maintain the same pre-tax deduction. When this enhancement is available, it will be communicated.

**Pre-Tax Contribution Program (PTCP) Fact Sheet  
For NYS Active Employees Enrolled in NYSHIP**

Choosing to Participate in PTCP (Pre-Tax Deductions)	Choosing NOT to Participate in PTCP (Post-Tax Deductions)
<p>The PTCP is a voluntary program in which your share of the health insurance premium is deducted from your wages <i>before</i> taxes are withheld. Participating in this program may lower your tax liability, but you are also restricted to making changes to your biweekly health insurance deduction amount only under certain circumstances.</p> <p>This means in exchange for the tax benefit of having your health insurance deductions taken on a before tax basis, <b>you agree to limitations of changes you can make to your NYSHIP pre-tax deductions during the Plan Year, in accordance with both NYSHIP and IRS rules.</b></p>	<p>If you decline to participate in PTCP, then your share of your health insurance premium is deducted from your wages <i>after</i> taxes are withheld. By not participating in this program, you have greater flexibility to make changes to your biweekly health insurance deduction amount.</p> <p>This means in exchange for having your health insurance deductions on a post-tax basis with no tax benefit, <b>you have greater flexibility to make changes to your NYSHIP coverage, as long as they are consistent with NYSHIP rules.</b></p>
Tax Savings in PTCP	Tax Impact NOT in PTCP
<p>Contributions to your health insurance premium are made before wages are withheld, effectively reducing your income by the amount of your contribution. Therefore, you pay taxes based upon a lower salary.</p> <p>These salary based taxes include Federal income tax, Social Security tax, and most State and local income tax. The amount you save in taxes will depend on the amount of your income, your health insurance premium and the number of withholding allowances that you claim on your taxes.</p> <p>Contact your tax professional on how participation in PTCP will affect you.</p>	<p>Contributions to your health insurance premium will be made after wages are withheld. This does not effectively reduce your income, therefore you pay taxes based upon a higher salary (compared to if you enrolled in PTCP).</p> <p>These salary based taxes include Federal income tax, Social Security tax, and most State and local income tax.</p>

**IMPORTANT**

**November 1 through November 30 is the only time you can change your Pre-Tax Contribution Program election.**

**Please see your Agency Health Benefits Administrator to change your election. You must complete Boxes 1-9 and Box 13 (titled “Change Pre-Tax Status”) on a Health Insurance Transaction Form (PS-404). Sign and date the form during November and submit it to your HBA.**

**Pre-Tax Contribution Program (PTCP) Fact Sheet  
For NYS Active Employees Enrolled in NYSHIP**

Changes Permitted When Enrolled in PTCP	Changes Permitted to When NOT Enrolled in PTCP
<p>Under the Internal Revenue Service (IRS) regulations, if you participate in PTCP, you may change your health insurance deduction only when a PTCP qualifying life event occurs and is reported to your agency HBA <b>within 30 days from the date of event</b>:</p> <ul style="list-style-type: none"> <li>• Change in your marital status</li> <li>• Change in your number of dependents</li> <li>• Change in employment status of employee, spouse or dependent that affects eligibility</li> <li>• Dependent satisfies or ceases to satisfy eligibility requirements</li> <li>• Change in place of residence or worksite of the employee, spouse or dependent</li> <li>• Change in coverage under other employer's plan</li> <li>• COBRA events</li> <li>• Judgment, decree or order to provide health benefits to eligible dependents</li> <li>• Change in Medicare or Medicaid eligibility</li> <li>• Leaves of absences</li> <li>• HIPAA special enrollment rights</li> </ul> <p>Changes in coverage due to the above status changes must be consistent with the change in your family or employment. If you make a change in coverage not related to a qualifying event, your PTCP deduction will not change and/or your request may not be processed.</p> <p>See the chart titled, "Enrolled in Pre-Tax Contribution Program" for specific scenarios of changes you can make to your health coverage when enrolled in the PTCP.</p>	<p>Since you do not participate in PTCP, you are not bound by certain Internal Revenue Service (IRS) regulations regarding changes to your health insurance deduction amount. However, you are still bound by NYSHIP rules regarding changes you may make during the Plan Year.</p>

**IMPORTANT**

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## ENROLLED IN PRE-TAX CONTRIBUTION PROGRAM (PRE-TAX)

COVERAGE TYPE	REQUEST TYPE	IS THIS A QUALIFYING EVENT?	WAS THE REQUEST MADE TIMELY? (WITHIN 30 DAYS)	WHAT HAPPENS
Individual	Change to Family Coverage	Yes	Yes	The change to family coverage can be processed and the entire health insurance family premium will be deducted at pre-tax.
Individual	Change to Family Coverage	Yes	No	The change to family coverage can be processed. The individual portion of family premium will be deducted at pre-tax and the dependent portion of family premium will be deducted at post-tax.  NYSHIP Late Enrollment rules apply.
Individual	Change to Family Coverage	No	n/a	
Family	Change to Individual Coverage	Yes	Yes	The change to individual coverage can be processed and the entire health insurance individual premium will be deducted at pre-tax.
Family	Change to Individual Coverage	Yes	No	The change to individual coverage <b>cannot be processed</b> . The employee's pre-tax health insurance deduction cannot change for the rest of the plan year. However, if a dependent loses eligibility for coverage, you must remove that dependent.
Family	Change to Individual Coverage	No	n/a	
Individual / Family	Cancel Coverage	Yes	Yes	The request to cancel coverage can be processed.
Individual / Family	Cancel Coverage	Yes	No	The cancellation of coverage <b>cannot be processed</b> . The employee's pre-tax health insurance deduction cannot change for the rest of the plan year.
Individual / Family	Cancel Coverage	No	n/a	