



Department of Civil Service

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NY18-30

TO: New York State Agency Health Benefits Administrators
FROM: Employee Benefits Division
SUBJECT: Pre-Tax Contribution Program (PTCP) Election Period
DATE: October 29, 2018

An enrollee can elect to participate in the Pre-Tax Contribution Program either when first eligible for enrollment in the New York State Health Insurance Program (NYSHIP) or in November during the Pre-Tax Contribution Election Period.

Refer to Policy Memo 143, dated April 25, 2016 regarding NYSHIP rules and the Pre-Tax Contribution Program.

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 changes¹ that affect 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 rule².

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.

¹ 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.

² 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, the birth of a newborn child is not an opportunity to change from family to individual coverage, as the birth of a child does not affect the employee's eligibility.

PTCP Election Period (November 1 – November 30)

During the PTCP Election Period employees may change their election to either participate or not to participate in the Pre-Tax Contribution Program (PTCP) which can affect their tax liability when enrolled in the New York State Health Insurance Program (NYSHIP). The change becomes effective in the new plan year. During the month of November, an employee enrolled in the PTCP may also make changes to his or her coverage without a PTCP qualifying event.

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 or dependent that affects eligibility for health benefits;
- Change in dependent's status that affects eligibility for health benefits;
- Change in place of residence or worksite of the employee 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
- A change in Medicare or Medicaid eligibility;
- Leaves of absence; or
- HIPAA special enrollment rights are triggered.

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.

Changing to Family Coverage for PTCP Enrollees

An enrollee can, at any time, choose to add an eligible dependent to coverage. However, in accordance with PTCP election rules, the enrollee can only have a change in deduction if the enrollee makes a request within 30 days after experiencing a PTCP qualifying event. In order to have the entire family deduction at pre-tax, the enrollee must request the change in coverage within 30 days of the PTCP qualifying event. If there is no qualifying event or if the request is made after 30 days then the enrollee will continue to have the individual premium deducted on a pre-tax basis and the dependent's portion of the premium will be deducted on an after-tax basis. This is referred to as **split tax** deductions. In these circumstances, the split tax deductions will end at the beginning of the calendar year after the enrollee is added. At that point, the deduction for family coverage will be fully taken on a pre-tax basis, absent any other requested changes.

Covering a Non-Federally Qualified Domestic Partner

When a PTCP enrollee covers a domestic partner who is not a federally qualified dependent (see [Form PS-425](#) for more information) the deduction will always be taken after tax for the non-federally qualified dependent. This will also result in split tax deductions. This will occur even if the enrollee also provides coverage for dependents who are federally qualified. Unlike the situation listed above, split tax deductions will continue for as long as an enrollee covers a dependent that is not deemed to be federally-qualified.

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

**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 from making changes to your biweekly health insurance deduction amount in certain circumstances.</p> <p>This means in exchange for the tax benefit of having your health insurance deductions taken on a before tax basis, you agree to limitations of changes you can make to your NYSHIP pre-tax deductions during the Plan Year, in accordance to both NYSHIP and IRS rules.</p>	<p>If you decline to participate in PTCP, 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 taken on a post-tax basis with no tax benefit, you have greater flexibility to make changes to your NYSHIP coverage, as long as it is consistent with NYSHIP rules.</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 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 PTCP election. You must complete the “Employee Information” and “Enter Annual Option Transfer Requests” portions of the Health Insurance Transaction Form (PS-404). Sign, date, and submit the form to your HBA during November.

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

Changes Permitted When Enrolled in PTCP	Changes Permitted 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 one of the PTCP qualifying life events occur and is reported to your agency HBA within 30 days from the date of event:</p> <ul style="list-style-type: none"> • Change in your marital status • Change in your number of dependents • Change in your or your dependent's employment status that affects eligibility for health benefits • Change in your dependent's status that affects eligibility for health benefits • Change in your or your dependent's place of residence or worksite that affects eligibility for health benefits • Significant change in health benefits and/or premiums under NYSHIP • Change in health benefits or premium under your or your dependent's other employer's plan • COBRA events • Judgment, decree or order to provide health benefits to eligible dependents • Change in Medicare or Medicaid eligibility • Leaves of absences • HIPAA special enrollment rights <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 to NYSHIP rules regarding changes you may make during the Plan Year.</p>

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ENROLLED IN PRE-TAX CONTRIBUTION PROGRAM (PRE-TAX)				
COVERAGE TYPE	REQUEST TYPE	DID YOU EXPERIENCE A PTCP QUALIFYING EVENT?	WAS THE REQUEST MADE WITHIN 30 DAYS OF THE PTCP QUALIFYING EVENT?	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 cannot be processed . 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 cannot be processed. The employee's pre-tax health insurance deduction cannot change for the rest of the plan year.
Individual / Family	Cancel Coverage	No	n/a	