



NY19-32

TO: New York State Agency Health Benefits Administrators
FROM: Employee Benefits Division
SUBJECT: Pre-Tax Contribution Program (PTCP) Election Period Changes
Beginning with Tax Year 2020
DATE: November 21, 2019

New for 2020 Tax Year

The annual Pre-Tax Contribution Program (PTCP) Election Period is no longer restricted to the month of November and will now align with the annual Option Transfer Period dates. Additionally, Health Benefits Administrators can now process these annual changes using the Tax Election Change transaction. It is no longer necessary to forward them to the Employee Benefits Division for processing.

Please note that changes to an enrollee's tax election take place with the first pay check of the upcoming "tax year," which can differ from the "plan year" effective date.

An enrollee may elect to participate in the PTCP either when first eligible for enrollment in the New York State Health Insurance Program (NYSHIP) or during the PTCP Election Period. Note: the annual Option Transfer Period differs from year to year. **Do NOT accept changes prior to or after the Option Transfer Period.**

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 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 request is

¹ Employees enrolled in PTCP may request a change to their coverage during the annual Option Transfer Period; 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.

made in response to a PTCP qualifying event (within 30 days of the date of event), and the change satisfies the PTCP consistency rule².

Declining Participation 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 and have greater flexibility to make arbitrary changes to their NYSHIP coverage, as long the change requests are consistent with NYSHIP rules.

PTCP Election Period (Coincides with the Annual Option Transfer Period)

During the PTCP Election Period, employees may change their election to "Elect Pre-Tax Status" or "Elect After-Tax Status." The change becomes effective in the first pay check of the new tax year. During the annual Option Transfer Period, 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 and 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, in which case the employee would be allowed to make a change to his or her pre-tax premium deductions.

PTCP Qualifying Events

Pre-tax payroll deductions can be changed during the tax year only after one of the following PTCP qualifying events, and only if the request is made in a timely (within 30 days of the event) manner 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;

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.

- 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.

Again, a change in coverage due to a PTCP qualifying event must be requested within 30 days of the event and must satisfy the consistency rule.

Changing to Family Coverage for PTCP Enrollees

An enrollee may, at any time, choose to add an eligible dependent to coverage, with or without a PTCP qualifying event. However, in accordance with PTCP election rules, the enrollee may only change his or her pre-tax 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 (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 and result in split tax deductions. The situation will remain the same even if the enrollee also provides coverage for dependents who are federally qualified. Unlike the example noted above, split tax deductions will continue in this case 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 (Attachment A), which should be posted publicly for employees during the PTCP Election Period. Attachment A summarizes the differences between electing and declining to participate in the PTCP.

Also attached is a chart entitled, “Enrolled in Pre-Tax Contribution Program,” which was developed to assist HBAs with questions that 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