

## IRS helps cover health care costs

### Tax credit aids thousands in Michigan who lost jobs, pensions

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The IRS has thousands of dollars to help out more than 40,000 Michigianians forced to buy health insurance after they lost their jobs to foreign competition or had their pension plans terminated.

The unlimited assistance will put thousands of dollars in the pockets of workers struggling to cope with the burden of paying for their own health care coverage after their jobs were eliminated or their pensions and retirement benefits cut, and will allow others to buy coverage to replace their lost benefits.

"It has literally made the difference for people who were bankrupt or foreclosed upon, where they have a chance to survive economically," said Den Black, who represents a group of 15,000 salaried retirees from bankrupt Troy-based auto supplier Delphi Automotive LLP.

Those workers lost their health and life insurance benefits last year and many will have their pensions reduced, now that the Pension Benefit Guaranty Corp., the government's pension insurer, has assumed responsibility for the plan.

The IRS is expanding efforts to publicize the little-known Health Coverage Tax Credit, which refunds 80 percent of health care premiums and can arrange to pay the bulk of those premiums each month going forward. The credit covers anyone whose job loss is certified under the Trade Adjustment Assistance Act, as well as anyone 55 and over whose pension plan has been taken over by the pension board.

In the case of Delphi, it applies to salaried retirees as well as some non-UAW hourly workers. The worker has to be enrolled in a qualified health plan and pay at least half of his or her premium, along with some other restrictions on the benefit.

"There are thousands of Delphi salaried employees who have signed up for this credit," says David Kudla, CEO and chief investment strategist of Mainstay Capital Management in Grand Blanc.

The financial planning firm advises hundreds of former Delphi workers, many of whom pay up to \$1,600 a month for coverage of themselves and a spouse under a group plan created for salaried Delphi retirees. In that case, the tax credit covers more than \$15,000 in yearly premiums.

One beneficiary of the tax credit is John Sidorenko, a 56-year-old former Delphi quality engineer who lives in

Columbus, Ohio. Sidorenko notes that the tax credit makes it possible for him and his wife, a retired school administrator, to have better coverage than through her state plan.

"It'll save us a minimum of \$350 a month," Sidorenko says -- savings that will be even more valuable next month, when his pension is trimmed by 27 percent.

The tax credit isn't a complete replacement for the benefits many workers has been receiving. In the case of Delphi workers, they must still replace their life insurance, and their 20 percent share of the premiums can still be more than they were paying under the company plan. In addition, the tax credit only covers them up to age 65, when they can switch to Medicare coverage, unlike the lifetime health benefits they expected to receive.

Workers can claim the tax credit as a refund by filing IRS Form 8885 and required documentation with a federal tax return. Or they can register with the IRS to have it bill them for 20 percent of their health insurance premium, with the IRS then making the full payment each month. That approach keeps workers from having to come up with the cash all year, then wait until tax time for reimbursement.

Normally, the tax credit covers 65 percent of health insurance premiums, but the program was expanded last year as part of the Obama administration's American Recovery and Reinvestment Act. The coverage would fall back from 80 percent to 65 percent after this year if the expansion isn't reauthorized by Congress.

A total of 40,300 Michigan workers are eligible for the program, said Luis D Garcia, the IRS spokesman in Detroit. That includes 16,300 in Wayne, Oakland and Macomb counties, he added. The number has grown as more companies have defaulted or terminated their pension plans or laid off workers covered by the Trade Adjustment Act. Since May, according to the Department of Labor, there have been 136 certifications in Michigan under the act, covering about 18,000 workers.

"The number of people who potentially are eligible for this has really grown," Garcia said, adding that the average tax credit benefit in Michigan comes to \$1,000 a month. "Having this kind of help with your health insurance premium can be a game-changer for people, and really increase their quality of life."