November 9, 2010

To: NRLN Grassroots Network Members
From: Bill Kadereit
Subject: Extend Retirees' Health Coverage Tax Credit (HCTC)

One of the provisions of the American Recovery and Reinvestment Act allowed retirees whose companies had terminated their pension plan and reduced or eliminated their health care benefits during bankruptcy, to form Voluntary Employee Benefit Associations (VEBA) following the approval of the bankruptcy court judge. The VEBA could then offer health care plans eligible for the Health Coverage Tax Credit (HCTC)-- a federal tax credit first created at 65% in 2003 to help offset the cost of monthly health care insurance premiums for retirees 55 to 64.

Last year, Congress increased the HCTC tax credit for eligible participants from 65% to 80%. Once an individual qualifies for the HCTC, the credit is automatically paid every month by the IRS to the health insurance plan. Qualified individuals pay the remaining 20% cost of the health insurance. This is a big financial assistance to eligible retirees struggling to cope with, in most cases, a significant financial loss of pension income suffered after the Pension Benefit Guaranty Corporation took over their pension plan and the reality of the high cost of monthly health insurance premiums.

Both the Delta Air Lines pilot retirees and the Delphi salaried retirees took advantage of these provisions to form VEBAs that offered HCTC eligible insurance programs to their members who had lost their company-sponsored health care benefits. Unfortunately, these provisions are set to expire on Dec. 31, 2010 unless Congress acts to extend the program.

This problem is compounded by the fact that retirees are now in the annual enrollment period for health care benefits. Unless Congress acts very quickly, Delta and Delphi and other retirees with VEBAs will not know if they will qualify for the HCTC until it is too late to modify their annual insurance selections. HCTC eligible plans must follow very specific guidelines that do not apply to other health care plans and tend to be more expensive than other plans, absent the tax credit offered by the HCTC program.

I am asking you to go to bat for all pre-Medicare-eligible retirees who are in the similar predicament to Delta and Delphi retirees. Please use the NRLN's sample letter to ask your members of Congress to extend the HCTC. Go to http://capwiz.com/abtr/home/ to access the NRLN Action Alert. Look for the Action Alert headline: EXTEND RETIREES' HEALTH COVERAGE TAX CREDIT (HCTC). Click on the "Take Action" button. On the next screen, type in your zip code and click "GO" to identify your elected representatives and access the sample letter. Personalize the letter with your own comments. If you have a problem accessing the Action Alert with the above link, go to www.nrln.org and click on the "Take Action Now" headline at the top of the NRLN website's home page. Send your email today.

It would also help to call the Washington, DC or state/district office of your Representative and Senators. Use the information in the sample letter to urge support for extending HCTC for retirees enrolled through Bankruptcy court approved VEBAs. A copy of the letter that you send to your lawmakers will be automatically emailed to you. Phone numbers can be found through the NRLN's Capwiz website at http://capwiz.com/abtr/dbq/officials/ . The more constituents who write and call their Representative and Senators, the better chance there is in gaining their attention on this important issue to retirees who have suffered through a corporate bankruptcy.

Bill Kadereit, President, National Retiree Legislative Network

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SAMPLE LETTER TO CONGRESS

I am writing to ask that you take action to prevent the December 31, 2010 expiration of the Health Coverage Tax Credit (HCTC) for plans sponsored by Voluntary Employee Benefit Associations established through bankruptcy court proceedings. In case you are not familiar with HCTC, it is a federal tax credit to help offset the cost of monthly health care insurance premiums for retirees 55 to 64 whose health care benefits have been reduced or eliminated in corporate bankruptcy proceedings and their pension plan has been taken over by the Pension Benefit Guaranty Corporation (PBGC). Members of Congress had the wisdom to create the HCTC program in 2003. More recently, Congress passed the American Recovery and Reinvestment Act that includes a provision allowing retirees whose companies had terminated their pension plan and reduced or eliminated their health care benefits during bankruptcy, to form Voluntary Employee Benefit Association (VEBA) following the approval of the bankruptcy court judge. The VEBA could then offer health care plans eligible for the Health Coverage Tax Credit (HCTC).

In 2009, Congress saw fit to increase the HCTC for eligible participants from 65% to 80%. Once an individual qualifies for the HCTC, the credit is automatically paid every month by the IRS to the health insurance plan. Qualified individuals pay the remaining 20% cost of the health insurance. This is a big financial assistance to eligible retirees struggling to cope with, in most cases, a significant loss of pension income suffered after the PBGC took over their pension plan and the reality of the high cost of monthly health insurance premiums.

Congress needs to extend the latest HCTC provisions before they expire on December 31, 2010 to prevent considerable harm to thousands of retirees and their family members. For example, families participating in the VEBAs for the Delta Air Lines Pilot's and Delphi salaried retirees would suddenly be faced with paying 100% of the cost of their health care premiums, a severe hardship for people who have lost a significant amount of their pension income.

The urgency for Congress to pass legislation to preserve HCTC at the 80% level is necessitated by the fact that this is the time of year for health care enrollments for 2011. Retirees need to know if they will qualify for the HCTC otherwise it will be too late to modify their annual health care insurance selections. HCTC eligible plans must follow very specific guidelines that do not apply to other health care plans and tend to be more expensive than other plans, absent the tax credit offered by the HCTC program.

On behalf of all retirees utilizing the HCTC, I am asking for your assistance in two ways.

- As an interim measure to prevent a disruption in coverage for January 1, 2011, compel the Commissioner of the IRS or the Secretary of Treasury to use injunctive authority that will “grandfather” or continue to permit VEBAs established through a bankruptcy court or by an 1114 committee in a bankruptcy to continue to be considered as an “HCTC Qualified” plan on a permanent basis without the need to apply for a “Private Letter Ruling,” or extend the qualification of these VEBAs until a ruling is received from the IRS.

- Immediately upon returning to Washington, members of Congress should enact legislation that extends the HCTC enhanced benefits. Senator Max Baucus, the Chairman of the Senate Finance Committee, has a provision in his tax bill proposal that would extend the VEBA qualified plan language for one year. While this would address the immediate crisis, in reality it needs to be authorized in perpetuity.

Please let me know that you will support the passage of this legislation to make it possible for thousands of retirees and their families to continue to have health care insurance in 2011.