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Key Legislative Developments Affecting Your Human Resources

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Retirement Legislation Passes House; Senate Begins Debate on HCTC Revival

The House approved legislation this week that would revise public safety officer exceptions from the 10% additional tax on early retirement distributions. Also this week, the Senate began debate on international trade legislation — including legislation that would revive the healthcare tax credit.

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Retirement

The House passed [H.R. 2146](#) —Defending Public Safety Employees' Retirement Act — on Tuesday ([407 to 5](#)). The legislation would modify certain current law exceptions to the 10% additional tax on early distributions from tax-qualified retirement plans. Under current law, the tax does not apply to distributions to state and local qualified public safety officers from a governmental defined benefit plan, if the distribution is made after separation from service after attainment of age 50. Current law also provides that the tax does not apply to post-separation plan distributions that are part of a series of substantially equal periodic payments made over an employee's lifetime — with special rules that impose the additional tax in a later tax year if the payment stream is modified.

The legislation would:

- Delete the requirement from the exception for public safety officers that the distributing plan be a defined benefit plan — so the exception would apply to defined contribution plans too. The legislation would also expand the definition of public safety officer to include certain federal safety officers.
- Provide that modification of a payment stream does not give rise to the additional tax if the public safety officer exception to the tax applies.

The legislation would apply retroactively — to distributions made after December 31, 2014.

Given the degree of support for H.R. 2146 in the House, Senate passage is likely if that chamber schedules a vote on the legislation.



Healthcare

The Senate began debate this week on international trade legislation. Among the trade proposals likely to be voted on by that chamber in the week ahead is legislation that would revive the Health Care Tax Credit (HCTC), which lapsed at the end of 2013. The credit assisted certain individuals with the cost of their health coverage (such as COBRA continuation coverage) — including those eligible for Trade Adjustment Act (TAA) benefits (because their jobs were displaced by a trade agreement) or whose pensions have been taken over by the PBGC.

The Senate Finance Committee approved legislation several weeks ago ([S. 1268](#)) that would retroactively revive the HCTC for 2014 and extend the credit until January 1, 2020. The legislation would also provide rules that permit a taxpayer to choose either the HCTC or the Affordable Care Act's premium tax credits — but not both. COBRA continuation coverage would be considered qualifying coverage for purposes of the HCTC. However, the proposal does not extend pre-2014 HCTC special rules that lengthened the COBRA maximum eligibility periods for certain HCTC-eligible individuals.

Authors

Drew Crouch, JD, LLM
Marjorie Martin EA, FSPA, MAAA

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