

IRS outlines how to report the new \$3,000 gross income exclusion for public safety officers

The Internal Revenue Service (IRS) now has tax forms, publications and instructions on its Web site for the 2007 tax year. These up-to-date materials include a provision for the Public Safety Officer exclusion from gross income of up to \$3,000 for qualified health insurance premiums. While the form has not been changed, Line 16b on Form 1040 is able to accommodate this exclusion.

Retired public safety officers should report their total pension distributions on line 16a of Form 1040. If the individual qualifies for the insurance premium exclusion, it should be indicated on line 16b of Form 1040. To take this exclusion, reduce the otherwise taxable amount of your pension or annuity by the amount excluded. Remember that the amount shown in box 2a of Form 1099-R does not reflect the health care premium exclusion. The amount of health care contributions for 2007 is listed on your OP&F monthly benefit statement for December.

When taking this exclusion the public safety officer should write “PSO” next to the adjusted taxable amount received on line 16b. Detailed information appears on page 22 of the 1040 Instructions for 2007.

For those who do not use Form 1040, the exclusion can also be reported on Form 1040A (lines 12a and 12b) and on Form 1040NR (line 17a and 17b).

If you have any questions on this exclusion, please consult a tax professional for advice.