Tax Deduction for Retired Public Safety Officers

If you are a retired IMRF public safety officer, the Pension Protection Act of 2006 allows you to exclude up to $3,000.00 of qualifying insurance premiums from your income every year. Qualifying payments must be:

- Deducted by IMRF
  - and
- Directly paid by IMRF to the qualifying insurance plan.

If you are eligible for this deduction, the IRS provides instructions on how to take the deduction in IRS publication 575, “Pension and Annuity Income”. (Look for “Public safety officers insurance premiums” in the index.).

For your convenience, the following is an excerpt from the 2012 IRS publication:

**Public Safety Officers**
If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for accident or health insurance or long-term care insurance. The premiums can be for coverage for you, your spouse, or dependents. The distribution must be made directly from the plan to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or $3,000. You can only make this election for amounts that would otherwise be included in your income. The amount excluded from your income cannot be used to claim a medical expense deduction.

An eligible retirement plan is a governmental plan that is a:

- qualified trust,
- section 403(a) plan,
- section 403(b) annuity, or
- section 457(b) plan.
If you make this election, reduce the otherwise taxable amount of your pension or annuity by the amount excluded. The amount shown in box 2a of Form 1099-R does not reflect this exclusion. Report your total distributions on Form 1040, line 4a. Report the taxable amount on Form 1040, line 4b. Enter "PSO" next to the appropriate line on which you report the taxable amount.

If you are retired on disability and reporting your disability pension on line 1 of Form 1040, include only the taxable amount on that line and enter “PSO” and the amount excluded on the dotted line next to the applicable line.