

# TOWN OF SAUGUS

SAUGUS RETIREMENT BOARD  
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## MEMORANDUM

TO: Retired Members of the Saugus Retirement System

FROM: William E. Cross III, Chairman

DATE: January 3, 2018

RE: Pension Protection Act of 2006

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On January 3, 2006, Congress passed the Pension Protection Act (“PPA”) of 2006, which amended the Internal Revenue Code in various respects. Section 845(c) of the PPA allows eligible **public safety** employees to exclude from their gross income an amount up to \$3,000 that is deducted from a taxable retirement allowance for health insurance premiums. You are receiving this memorandum because you are a retiree of the Saugus Retirement System; *however, if you are not a retired police officer or firefighter, this change in the Internal Revenue Code will not affect you.*

Section 845(c) of the PPA permits police officers and firefighters who have retired for disability or who retired on or after attaining age 55 to be eligible for this tax exclusion. *Therefore, even if you are a retired police officer or firefighter, unless you retired for disability or retired on or after attaining age 55, this change in the Internal Revenue Code will not affect you.*

The tax exclusion provided under Section 845(c) of the PPA allows certain eligible public safety officers as defined above to exclude up to \$3,000 in health insurance premiums from your gross taxable income with respect to the filing of your federal income taxes for calendar year 2016.

The amount, which you paid or had deducted from your check in health insurance premiums for calendar year 2016, will be shown on the bottom of your **December 30, 2016 direct deposit notice**. The amount provided is the amount you may exclude from your gross income for the purposes of filing your federal taxes, *provided the amount does not exceed \$3,000*. If the amount exceeds \$3,000, then you may exclude the full \$3,000. If the amount is less than \$3,000, then you may only exclude the amount you actually paid in health insurance premiums. For example, if you paid \$2,500 in health insurance premiums for calendar year 2016, then you may exclude \$2,500 from your gross income for the purposes of filing your federal income taxes.

*Please note that this exclusion is for your federal income taxes only – you may not exclude this amount on your state income tax return unless the state in which you reside has such state tax exclusion. Massachusetts has no such exclusion.*

Finally, as with all tax-related issues, the Board strongly recommends that you consult with a tax professional with regard to this change in the Internal Revenue Code. This memorandum is intended to be informational only, and is not intended as tax advice. Ultimately, it is your responsibility as the taxpayer to insure that your tax return is accurate, and thus you may wish to speak with a tax professional regarding this issue.