

# Health Insurance Credit For Eligible Recipients

▶ Attach to Form 1040 or Form 1040NR.

Name of recipient (if both spouses are recipients, complete a separate form for each spouse)

Recipient's social security number

**Before you begin:** See **Definitions and Special Rules** in the instructions.

**Part I Complete This Part To See if You Are Eligible To Take This Credit**

- 1 On December 1, 2002, were you an eligible trade adjustment assistance (TAA) or alternative TAA recipient?  
 **No.** Go to question 2.  
 **Yes.** Skip question 2 and go to question 3.
- 2 On December 1, 2002, were you an eligible Pension Benefit Guaranty Corporation (PBGC) pension recipient?  
 **No.** **Stop;** you **cannot** take this credit.  
 **Yes.** Go to question 3.
- 3 Can you be claimed as a dependent on someone else's 2002 tax return?  
 **No.** Go to question 4.  
 **Yes.** **Stop;** you **cannot** take this credit.
- 4 On December 1, 2002, were you covered by a qualified health insurance plan for which you paid the premiums?  
 **No.** **Stop;** you **cannot** take this credit.  
 **Yes.** Go to question 5.
- 5 On December 1, 2002, were you covered by, or eligible for coverage under, any employer-sponsored health plan?  
 **No.** Go to question 6.  
 **Yes.** See instructions.
- 6 On December 1, 2002, were you covered by Medicare, Medicaid, or State Children's Health Insurance Program (SCHIP)?  
 **No.** Go to question 7.  
 **Yes.** **Stop;** you **cannot** take this credit.
- 7 On December 1, 2002, were you enrolled in the Federal Employees Health Benefits Program or eligible to receive benefits under the U.S. military health system (TRICARE/CHAMPUS)?  
 **No.** Go to question 8.  
 **Yes.** **Stop;** you **cannot** take this credit.
- 8 On December 1, 2002, were you imprisoned under Federal, state, or local authority?  
 **No.** Go to line 9.  
 **Yes.** **Stop;** you **cannot** take this credit.

**Part II Health Insurance Credit**

9	Enter the amount you paid for qualified health insurance coverage for the month of December 2002 (see instructions) . . . . .	9		
10	Archer MSA distributions used to pay amounts included on line 9 . . . . .	10		
11	Subtract line 10 from line 9. If zero or less, <b>stop;</b> you cannot take this credit . . .	11		
12	<b>Health insurance credit.</b> Multiply line 11 by 65% (.65) and enter the result. Also include on Form 1040, line 68, or Form 1040NR, line 63, and check box <b>c</b> on that line . . . . .	12		

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

Use Form 8885 if you were an eligible recipient to figure the amount, if any, of your health insurance credit.

### Definitions and Special Rules

#### Trade Adjustment Assistance (TAA) Recipient

You were an eligible TAA recipient on December 1, 2002, if, on any day in November or December of 2002, you:

- Received a trade readjustment allowance or
- Would have been entitled to receive such an allowance except that you had not exhausted all rights to any unemployment insurance (except additional compensation that is funded by a state and is not reimbursed from any Federal funds) to which you were entitled (or would be entitled if you applied).

#### Alternative TAA Recipient

You were an eligible alternative TAA recipient on December 1, 2002, if, in November or December of 2002, you received benefits under an alternative trade adjustment assistance program for older workers established by the Department of Labor.

#### Pension Benefit Guaranty Corporation (PBGC) Pension Recipient

You were an eligible PBGC pension recipient on December 1, 2002, if **both** of the following apply.

- You were born before December 3, 1947.
- You received a benefit for December 2002 that was paid by the PBGC under title IV of the Employee Retirement Income Security Act of 1974 (ERISA).

#### Qualified Health Insurance Plan

A qualified health insurance plan is **any** of the following.

1. Coverage under a group health plan available through the employment of your spouse.
2. Coverage under individual health insurance if you were covered under individual health insurance during the entire 30-day period ending on the date you were separated from your job that qualified you for TAA, alternative TAA, or PBGC pension benefits. Individual health insurance **does not** include any insurance connected with a group health plan or Federal- or state-based health insurance coverage.
3. Coverage under a COBRA continuation provision (as defined in section 9832(d)(1)).
4. State-based continuation coverage provided by the state under a state law that requires such coverage.
5. Coverage offered through a qualified state high risk pool (as defined in section 2744(c)(2) of the Public Health Service Act).
6. Coverage under a health insurance program offered for state employees.
7. Coverage under a state-based health insurance program that is comparable to the health insurance program offered for state employees.
8. Coverage through an arrangement entered into by a state and (a) a group health plan (including such a plan which is a multiemployer plan as defined in section 3(37) of ERISA), (b) an issuer of health insurance

coverage, (c) an administrator, or (d) an employer.

9. Coverage offered through a state arrangement with a private sector health care coverage purchasing pool.

10. Coverage under a state-operated health plan that does not receive any Federal financial participation.

A qualified health insurance plan **does not** include any of the following.

- Any state-based coverage listed in 4 through 10 above **unless** it also meets the requirements of section 35(e)(2).
- A flexible spending or similar arrangement.
- Any insurance if substantially all of its coverage is of excepted benefits described in section 9832(c).

#### Qualifying Family Member(s)

A qualifying family member is:

- Your spouse (but see **Married Persons Filing Separate Returns** below) or
- Anyone whom you can claim as a dependent (but see **Exception for Children of Divorced or Separated Parents** below).

#### Married Persons Filing Separate Returns

Your spouse is **not** treated as a qualifying family member if your filing status is married filing separately **and**:

- Your spouse also was an eligible TAA, alternative TAA, or PBGC pension recipient **or**
- **All** of the following apply:
  1. You lived apart from your spouse during the last 6 months of 2002.
  2. A qualifying family member (other than your spouse) lived in your home for more than half of 2002.
  3. You provided over half of the cost of keeping up your home.

#### Exception for Children of Divorced or Separated Parents

If you were divorced, legally separated, or lived apart from your spouse during the last 6 months of 2002, you may be able to take the credit based on amounts paid for qualified health insurance expenses of your child even if your child is not your dependent. If your child is not your dependent, he or she is a qualifying person only if all of the following apply.

1. You had custody of the child for a longer time in 2002 than the other parent. See **Pub. 501, Exemptions, Standard Deduction, and Filing Information**, for the definition of custody.
2. One or both of the parents provided over half of the child's support in 2002.
3. One or both of the parents had custody of the child for more than half of 2002.
4. The other parent claims the child as a dependent because:
  - As the custodial parent, you signed **Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents**, or a similar statement agreeing not to claim the child's exemption for 2002 or
  - Your divorce decree or written agreement went into effect before 1985 and it states that the other parent can claim the child as a dependent, and the other parent gave at least \$600 for the child's support in 2002. But this rule does not apply if your decree or agreement was changed after 1984 to say that the other parent cannot claim the child as a dependent.

If this exception applies, the other parent cannot treat the child as a qualifying person even though the other parent claims the child as a dependent.

### Who May Claim the Credit

You may claim this credit **only** if you were an eligible TAA, alternative TAA, or PBGC pension recipient. By February 18, 2003, **Form 8887, Health Insurance Credit Eligibility Certificate**, should be sent to you showing that you were a qualified recipient. Complete **Part I** of Form 8885 to see if you are eligible to claim the credit.

## Specific Instructions

### Line 5

You **cannot** claim the health insurance credit if, on December 1, 2002, **either** of the following apply.

- You were covered under **any** employer-sponsored health plan (except insurance substantially all of the coverage of which is of excepted benefits described in section 9832(c)) and the employer pays 50% or more of the cost of the plan.
- You were an **alternative TAA recipient** and **either** of the following apply.

1. You were **eligible for coverage** under any qualified health insurance plan **other than** the plans listed under **3, 4, or 8** in the definition of **Qualified Health Insurance Plan** on this page and **at least 50%** of the cost of the coverage was paid by the employer or

2. You were **covered** under any qualified health insurance plan **other than** the plans listed under **3, 4, or 8** in the definition of **Qualified Health Insurance Plan** on this page and **any part** of the cost of the coverage was paid by the employer.

### Line 9

Enter the amount you paid for coverage for you and all qualifying family members under a qualified health insurance plan for the month of December 2002. **Do not** include any amounts paid for any qualifying family member who had coverage described on lines 5, 6, or 7.

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 13 min.; **Learning about the law or the form**, 7 min.; **Preparing the form**, 18 min.; **Copying, assembling, and sending the form to the IRS**, 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the Instructions for Form 1040 or Form 1040NR.

