

HEALTH COVERAGE TAX CREDIT (HCTC) FAQs (Applicable only to Pilots)

Q. What is the Health Coverage Tax Credit (HCTC) that I've heard about?

A. The Health Coverage Tax Credit (HCTC) is a federal tax credit that pays 65% of qualified health plan premiums for eligible trade-impacted workers and certain Pension Benefit Guaranty Corporation (PBGC) benefit recipients. The IRS administers the HCTC Program in partnership with other federal agencies, the states, and the private health industry.

Q. Does Delta decide if I am eligible for the HCTC?

A. No. Eligibility is determined by the federal government agencies responsible for administering the HCTC in accordance with the law and regulations concerning this tax credit.

Q. Will I qualify for the HCTC if I get a pension payment from the PBGC?

One of the ways that an individual may qualify to receive the HCTC is if he or she is a retiree, survivor or alternate payee, at least age 55 years old, who receives pension payments from the PBGC. However, there are other factors that may disqualify a person from qualifying for the HCTC even if they are receiving a payment from the PBGC. Therefore just because you get a payment from the PBGC does not mean you will qualify for the HCTC.

Q. How can I be disqualified from the HCTC?

There are several factors that can disqualify you from the HCTC. For instance, the health care coverage in which you are enrolled may not be a qualified health plan, you may be entitled to Medicare, or you may be entitled to health coverage through the military health system (TRICARE/CHAMPUS). These are just some of the things that may disqualify you. Check the IRS website <http://www.irs.gov/individuals/article/0,,id=109915,00.html> for more information.

Q. Is my Delta coverage qualified for the HCTC ?

COBRA continuation coverage from Delta is the only Delta coverage that is “qualifying” for purposes of the HCTC. However even if you are eligible for and enroll in Delta’s COBRA coverage you must still meet all other qualification requirements to be eligible for the HCTC. Refer to <http://www.irs.gov/individuals/article/0,,id=109915,00.html> for more information.

Q I was not offered COBRA coverage from Delta. Is there other coverage that I have access to that may be qualified coverage for purposes of the HCTC?

A. Maybe. There are several different types of health care coverage that *may* qualify for the HCTC, including coverage through a spouse's employer or former employer or a state qualified health plans. You should familiarize yourself with your options. For more information refer to the HCTC information on the IRS website (see the links above).

Q. A settlement agreement was reached between Delta and the PBGC this week regarding the Delta Pilots Retirement Plan termination. What are the next steps?

A. One of the next steps is for the PBGC and Delta to work out a Trusteeship agreement. We expect that this agreement will determine a date for the PBGC to become trustee of the plan .

Q. When am I eligible for the HCTC?

A. Not until the trustee arrangements are established can the date that the HCTC is available become known. If you would like general information about timing of the availability of the HCTC, you can refer to the PBGC website at <http://www.pbgc.gov/workers-retirees/benefits-information/content/page13692.html#5>

Q. How will the process for qualifying for the HCTC be started?

A. According to the IRS and PBGC websites, the PBGC will send eligibility information to the IRS who will in turn mail out an HCTC Program Kit to potentially eligible individuals. That kit explains the steps in determining eligibility, the actions that an individual should take and includes an HCTC Registration Form that is needed to claim the tax credit in advance. If you would like to look at this Program Kit, it is on-line at http://www.irs.gov/pub/irs-utl/hctc_program_kit_07-05.pdf

Q. What do you mean when you speak of claiming the tax credit in advance?

A. The HCTC can be claimed in one of two ways. One is to take the credit on your tax return. The other is to apply for an advance payment of the tax credit. If you qualify for the advance payment, the government pays directly to Delta its 65% of the COBRA premium that you owe. See the HCTC Program Kit for more information at http://www.irs.gov/pub/irs-utl/hctc_program_kit_07-05.pdf .

Q. Aren't you asking me to make an election for my COBRA or other healthcare coverage through Delta before I have all of the facts about whether or not I qualify for the HCTC?

A. The timing of the decision regarding HCTC eligibility is not in Delta's control and we must complete enrollment for a January 1 effective date. However, as explained in the [COBRA questions and answers](#), if you are eligible for COBRA, you have an opportunity to change your healthcare elections up to 60 days after the PBGC begins making the pension payments under the Delta Pilots Retirement Plan. This provides pilot retirees and survivors with flexibility as more information about the HCTC becomes available.

Q. I have no pension check from the Delta Pilots Retirement Plan due to the application of the PBGC limits. Can I get the HCTC?

A. The law provides that the HCTC may be available if an individual receives a pension benefit payment from the PBGC. This could indicate that a person who does not receive a payment from the PBGC will not qualify for the HCTC. However, we are seeking clarification from the appropriate governmental authorities on how these criteria will be applied in the Delta retirees' situation. As we have additional information on this question, we will make it available.

Q. Are my family members eligible for the HCTC?

A. According to the IRS website, your family members may be eligible for the HCTC if you are eligible and they don't have any disqualifying criteria applicable to them. For information about disqualifying criteria, go to <http://www.irs.gov/individuals/article/0,,id=109915,00.html>

Q. I am an over age 65 retiree entitled to Medicare and my spouse is under age 65. Is she eligible for the HCTC?

A. The IRS website states: "If you are entitled to Medicare, you are not eligible for the HCTC. Since you are not eligible, your family members (including your spouse) are also not eligible for the HCTC."

Q. Are my premiums for vision and dental coverage eligible for the HCTC?

- A. If you purchase dental and vision benefits as part of a comprehensive package then, according to the IRS website, they may qualify for the HCTC. Under Delta's coverage, vision is separate from all medical and dental coverage; the DPMP plan includes both comprehensive medical and dental coverage; and the Family-Care Medical Plan includes separate elections for medical and dental coverage. It is our view that the DPMP dental could qualify for HCTC since it is part of a comprehensive package that includes medical coverage. However, this determination will be made by the IRS, not Delta.

Q. What happens if I am ages 60-64 and do not qualify for the HCTC?

- A. As outlined in the Section 1114 Delta Pilot Retiree Committee Agreement Term Sheet of October 4, 2006, a retired pilot between the ages of 60 and 64 who presents proof to Delta that he is *not* eligible for HCTC **solely** because he will not (or does not) receive a payment from the PBGC then after the end of the calendar year and subject to proof of HCTC ineligibility reasonably satisfactory to Delta, the retired pilot will be eligible for a 16% refund from Delta on his 51% DPMP premium for that year for himself and similar refund for his spouse if she is also age 60-64 and otherwise HCTC eligible (but for no PBGC payment). *If you are ineligible for the HCTC for any other reason – such as not qualifying for COBRA coverage or having other disqualifying criteria applicable to you such as TRICARE eligibility – you are not eligible for this refund.*