

#7 D45 Training Update TY24 – PSO or QPSE?

Do you know the difference between a PSO and a QPSE and how it affects taxes? These two completely different tax concepts often become confused.

We know that the PSO (Public Safety Officer) can elect to EXCLUDE UP TO \$3,000 of health insurance premiums from their eligible retirement distribution. This applies to taxpayers who participate in an employer retirement plan and who retired from one of these employment positions:

- police/law enforcement officer
- firefighter
- chaplain
- member of a rescue squad or ambulance crew

The health insurance amount is subtracted from the Gross Distribution to determine the Taxable Amount on the 1099-R (along with any adjustment from the Simplified Method). Health insurance includes accident, health (including Medicare) or long-term care insurance. Remember to deduct the amount from Medicare on the SSA page if the health insurance amount comes from Medicare. (Pub 4491, page 11-13 has a full explanation)

The QPSE (Qualified Public Safety Employee) category includes many more job titles beyond the PSO list above and is not related to health insurance. Members of this group who receive distributions from an eligible governmental defined benefit pension plan CAN REMOVE THE 10% PENALTY ON EARLY DISTRIBUTIONS. Qualified public safety employees include those who are or provide:

- police protection
- firefighting services
- emergency medical services for a state or municipality
- private sector firefighters
- corrections officers
- forensic security employees providing care, custody, and control of forensic patients
- federal law enforcement officers
- federal customs and borders protection officers
- federal firefighters
- air traffic controllers
- nuclear materials couriers
- members of the US Capitol Police or Supreme Court Police
- diplomatic security special agents of the Department of State.

THESE POSITIONS DO NOT QUALIFY FOR THE \$3,000 HEALTH INSURANCE EXCLUSION UNLESS THE POSITION IS INCLUDED IN THE PSO LIST ABOVE. (Pub 4491, page 27-5 has a full explanation.)

We hope this helps clarify these two concepts related to public employees.

Suzie & Cathie