

**Question 1: Are premium sponsorship payments (and / or payments covering out-of-pocket costs) made by a Tribe or tribal organization sponsor considered taxable income for the recipient?**

**Answer 1:** First, it is important for a Tribe or tribal organization to present this question to their tax attorney / accountant. Here is some background information on the subject.

The Internal Revenue Service (IRS) has issued a guidance document on the tax treatment of what are referred to as “qualified Indian health care benefits,” which relate to section 139d of the Internal Revenue Code. Here is the link:

[https://www.irs.gov/pub/irs-tege/139d\\_faqs\\_final\\_2\\_oc.pdf](https://www.irs.gov/pub/irs-tege/139d_faqs_final_2_oc.pdf)

In summary, on the specific issue of premium sponsorship payments made by a Tribe or tribal organization, here are the eligibility criteria for the exemption from taxation:

- Premium payments made by a Tribe or tribal organization are not taxable to the recipient if the recipient is:
  - o An enrolled tribal member or ANCSA shareholder; or
  - o A dependent or spouse of an enrolled tribal member or ANCSA shareholder.
- For an individual who is or was a dependent of a tribal member or ANCSA shareholder (and who might have received tax-free premium sponsorship payments), when that individual no longer is a dependent of the tribal member or ANCSA shareholder (because of age or other circumstance), the premiums paid by a Tribal sponsor after the person no longer is a dependent are taxable (if the former dependent has not become an enrolled tribal member or ANCSA shareholder).

Tribes and tribal organizations are advised to check with their tax attorney and / or accountant to determine under what circumstances the Tribe or tribal organization is required to issue a Form 1099 to a recipient of premium payments.

A detailed review of the treatment of “Indian income” for health insurance eligibility purposes is linked here.

- “Determining Eligibility for Medicaid and Health Insurance Tax Credits: How to Calculate Your Modified Adjusted Gross Income (MAGI)”

<http://tribalsef.gov.org/health-reform/webinars/determining-eligibility-for-medicaid-and-health-insurance-tax-credits-how-to-calculate-your-modified-adjusted-gross-income-magi/>

**Question 2: If our Tribe is paying for Medicare Part B and Part D premiums for our elders, is this considered taxable income?**

**Answer 2:** Similar to the answer to question of whether premium payments made by a Tribe or tribal organization to sponsor Tribal members for Marketplace coverage are taxable:

- Payments for Medicare Part B premiums and Part D premiums made by a Tribe or tribal organization are not taxable to the recipient if the recipient is:
  - o An enrolled tribal member or ANCSA shareholder; or
  - o A dependent or spouse of an enrolled tribal member or ANCSA shareholder.

Additional information on the Internal Revenue Service (IRS) tax treatment of what are referred to as “qualified Indian health care benefits,” which relate to section 139d of the Internal Revenue Code, can be accessed in a guidance document at the following link:

- [https://www.irs.gov/pub/irs-tege/139d\\_fags\\_final\\_2\\_oc.pdf](https://www.irs.gov/pub/irs-tege/139d_fags_final_2_oc.pdf)