

Domestic Partner Child(ren) of Domestic Partner Imputed Income Facts and Worksheet

IMPUTED INCOME FACTS

When you enroll your domestic partner or your domestic partner's child(ren) in one of the health insurance plans, it's important to be aware of two guidelines established by the Internal Revenue Service (IRS) regarding taxation.

1. POST-TAX PAYROLL DEDUCTIONS

The portion of the premium you pay through payroll deduction for yourself and the dependents you CAN claim on your federal income tax return is taken from your paycheck on a pre-tax basis, before taxes are deducted.

However, the portion of the premium you pay through payroll deduction for dependents you CANNOT claim on your federal income tax return is taken from your paycheck on a post-tax basis, after taxes are deducted. Dependents you CANNOT claim on your federal income tax return may also be referred to as non-tax-qualified dependents.

To determine if your domestic partner or your domestic partner's child(ren) qualify as your tax dependent(s), please refer to IRS Bulletin 2008-2, Notice 2008-5 "Qualifying Relative for Purposes of Section 152(d)(1)" at http://www.irs.gov/irb/2008-02_IRB/ar14.html.

2. IMPUTED INCOME

The IRS considers the University's contribution towards insurance coverage for a non-tax-qualified dependent as your imputed income.

Imputed income may be defined as an amount of money that your employer pays for certain non-tax-qualified benefits. Imputed income increases your taxable gross income that is subject to federal and state income taxes and FICA (Social Security and Medicare) taxes. Income tax withholding rates are calculated in accordance with your current W-4 and A-4 forms.

Your imputed income is reported on your annual Form W-2.

Employees on an approved leave of absence, who pay their portion of the employee contribution by check rather than payroll deduction, are obligated to pay the additional FICA tax and income taxes related to the imputed income.

IMPUTED INCOME EXAMPLES

Employee plus Domestic Partner Example:

If you enroll in 'employee plus adult' coverage for you and your non-tax-qualified domestic partner, you will have to pay taxes on the difference between the University's contributions for the 'employee + adult' coverage tier and the 'employee only' coverage tier.

| Employee plus Adult – EPO Plan | |
|--|---|
| Employer contribution for 'employee plus adult' tier | \$1133 |
| Employer contribution for 'employee only' tier | \$550 |
| Difference: | \$583 (Employer contribution for domestic partner) |

According to the chart, your imputed income (additional taxable income) is \$583.

Family Coverage Examples:

- 1) If you enroll in 'family' coverage for your tax-qualified child and your non-tax-qualified domestic partner, you will have to pay taxes on the difference between the University's contributions for the 'Family' coverage tier and the 'employee plus child' coverage tier.

| Family – EPO Plan | |
|--|---|
| Employer contribution for 'family' tier | \$1405 |
| Employer contribution for 'employee plus child' tier | \$1078 |
| Difference: | \$327 (Employer contribution for domestic partner) |

According to the chart, your imputed income (additional taxable income) is \$327.

- 2) If you enroll in 'Family' coverage with your non-tax-qualified domestic partner and at least 2 other tax-qualified dependents, there is no additional University contribution to your coverage for your non-tax-qualified domestic partner or his/her non-tax-qualified child(ren). In this situation, you have no imputed income and no additional income tax obligation.

Disclaimer: This document is not providing tax advice. Please speak to a tax advisor for advice on your own particular situation.