

*Devereux*  
ADVANCED BEHAVIORAL HEALTH

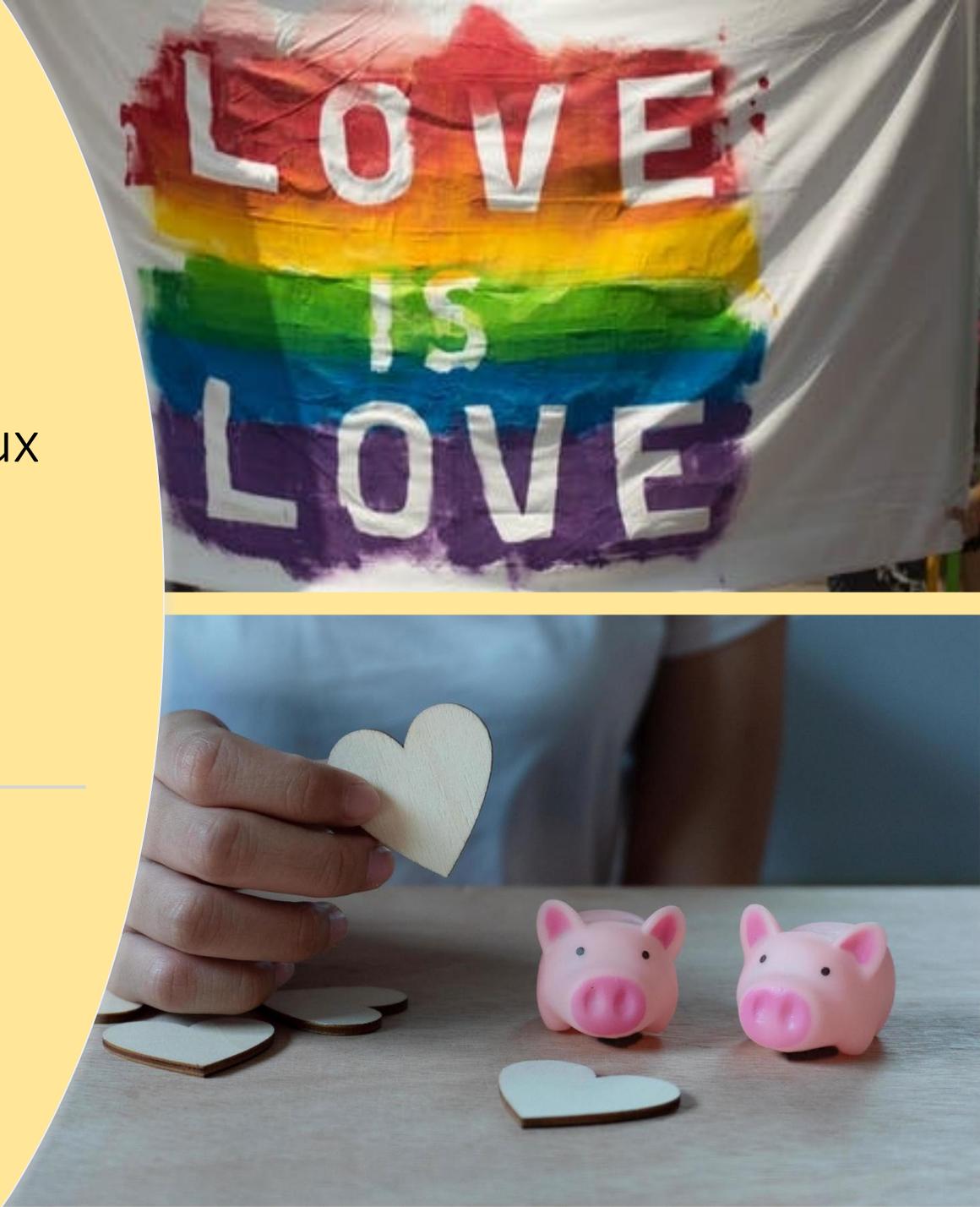
UNLOCKING  
HUMAN POTENTIAL™

# DOMESTIC PARTNER (DP) BENEFITS AND IMPUTED INCOME



Did you know: Devereux has provided same-sex and opposite-sex Domestic Partner (DP) benefits for decades

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# DOMESTIC PARTNER (DP) BENEFITS

## Imputed Income

### What is imputed income?

- **The taxable amount an employee will be assessed for some employer-paid benefits**
  - The Federal Government does not recognize Domestic Partnerships, meaning benefits for the Domestic Partner and the DP's children become taxable income for the employee.
- **The following coverage is subject to imputed income for Domestic Partners and their children:**
  - Medical insurance
  - Dental insurance
- If the employee is legally married, the employee can enroll in EE + Spouse, EE + Child or Family plans and imputed income will not apply.

# DOMESTIC PARTNER (DP) BENEFITS

## Imputed Income

### Health Savings Account (HSA), Health Care Flexible Spending Account (HCFSA) and Dependent Care Flexible Spending Account (DCFSA)

- These plans can only be used to pay for eligible expenses by you or your federal tax dependents.
- If a Domestic Partner or their children are not considered your federal tax dependents, they are not eligible to incur expenses under the HSA, HCFSA or DCFSA with your employee plan.



# DOMESTIC PARTNER (DP) BENEFITS ELIGIBILITY

## Imputed Income

### You and your Domestic Partner meet the following requirements:

- ✓ Are both at least 18 years of age and capable of consenting to the relationship and a legal contract;
- ✓ Are each other's sole Domestic Partner in a long-term, committed relationship (twelve continuous months or more) and intend to remain so indefinitely;
- ✓ Are not legally married to or the Domestic Partner of anyone else;
- ✓ Have lived in the same permanent residence together for a period of twelve continuous months or more and intend to reside together indefinitely. (Same permanent residence allows for relocations or moves, which are made together.);
- ✓ No one else, such as your partner's parents, can claim your partner as a dependent child on their tax return;
- ✓ If living in states or municipalities recognizing Domestic Partner relationships through registration, you and your partner have registered;
- ✓ You and your partner both have a Social Security number or International Tax Identification Number (ITIN); and
- ✓ You are not related by blood in a way that would bar marriage to each other under applicable law in effect where you reside.

**Note:** Check with your tax advisor for additional information.

# DOMESTIC PARTNER (DP) BENEFITS ELIGIBILITY

## Imputed Income

### Qualifying children of the employee

- Includes: natural, adopted, step and foster children of the employee, adopted child or an offspring of any of them, and the children of your Domestic Partner if they meet the following criteria:
  - Age 26 and under
  - Are considered the employee's tax qualified dependents
  - Must have a social security number or International Tax Identification Number (ITIN)



# LET'S TAKE A DEEP DIVE



People Operations



**Which DP enrollment group?**



ERISA and IRS

**Employees with a Domestic Partner (DP) should seek tax advice**

**Imputed Income:**

**Employee (EE)**

For EE and DP enrollment, the DP's portion is imputed and taxed as regular income

**2 person – Domestic Partner**

**Family – Domestic Partner only**

If the children are the employee's children, only the DP portion is imputed and taxed as regular income

**Family – Domestic Partner and DP Dependents**

If the children are the DP's children, both the DP and child portions are imputed and taxed as regular income

**No Imputed Income:**

**Employee (EE)**

If 2 EEs are in a DP relationship or marriage, they can either both enroll as single or enroll as EE + Spouse/DP, but 2 single plans may be more cost effective

**EE 1: Single**  
**EE 2: Single**

**EE + Child**

The EE and one child

**2 EE Family**

If both EEs work at Devereux and have a child(ren), pre-tax benefits apply to all

# CURRENT TAX TREATMENT OF HEALTH AND WELFARE BENEFITS

The illustration below is an example of how the taxable portion of benefits is calculated

	Total Per Pay	EE Per Pay Premium	Devereux Per Pay Premium	Your Tax Cost Liability
Single	\$310.66	\$51.85	\$258.80	\$0
EE + Spouse	\$745.48	\$165.74	\$579.74	\$0
EE + Child	\$528.31	\$131.82	\$396.50	\$0
Family	\$994.29	\$235.52	\$758.77	\$0

## 2 person – EE and Domestic Partner:

### Dev Medical and Rx

Total Per Pay EE + Spouse Premium	\$ 745.48
Single Per Pay Premium (EE's coverage)	\$ - 310.66 Not Taxable
Difference (imputed income for DP's coverage)	\$ 434.82 Taxable

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**Family – Domestic Partner only (i.e., only the DP’s portion is taxable):**

## Dev Medical and Rx

Total Per Pay Family Premium	\$ 994.29
Single Per Pay Premium (DP’s coverage)	<u>\$ - 310.66 Taxable</u>
Difference (Family minus DP’s coverage)	\$ 683.63 Not Taxable

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**Family – Domestic Partner and DP Dependents (i.e., the portion for both the DP and child(ren) of the DP are taxable as regular income):**

## Dev Medical and Rx

Total Per Pay Family Premium	\$ 994.29
Single Per Pay Premium (EE's coverage)	<u>\$ - 310.66 Not Taxable</u>
Difference (imputed income for DP and child's coverage)	<b>\$ 683.63 Taxable</b>

# Frequently Asked Questions

# DOMESTIC PARTNER (DP) BENEFITS

## Imputed Income

### When does imputed income apply?

- The Internal Revenue Service (IRS) requires that an employee who enrolls a Domestic Partner and/or their partner's children be assessed imputed income and subject to ordinary federal, state, FICA (the "Federal Insurance Contributions Act" funds Social Security and Medicare) and any other applicable payroll taxes.
- The imputed income assessed represents the difference between the Devereux contribution for employee-only and employee + Domestic Partner or DP family coverage.
- The difference between these rates is reported as income and is taxed at the same rate as regular earnings.
- Devereux subsidizes coverage for a Domestic Partner at the same level as for a spouse. The IRS requires that employees pay taxes on the "fair market value" of coverage received for a Domestic Partner and/or the Domestic Partner's children.

# DOMESTIC PARTNER (DP) BENEFITS

## FAQs

### **Does the imputed income required for Domestic Partner coverage count as income for TIAA contributions?**

- No, this additional taxable income is not considered “earnings.” Imputed income represents the fair market value of benefits provided for an individual(s) who is not your tax-qualified dependent.

### **If an employee and their Domestic Partner adopt a child together while both are covered under Devereux’s plan, would the child’s coverage be pre or post tax?**

- If the adopted child has been adopted by the employee, then the child is eligible for the usual tax-favored benefits (just like any other adopted child). However, if the child is adopted *only* by the Domestic Partner (as current law in many states bans dual adoptions), then the child can be covered, but not on a pre-tax basis.

# DOMESTIC PARTNER (DP) BENEFITS

## FAQs

### Can I add my Domestic Partner's child(ren) to my plan?

- Yes, as long as the DP is covered on your plan. The DP's child(ren) are considered eligible plan members if they meet the requirements of the applicable benefit program (such as age requirements).



# DOMESTIC PARTNER (DP) BENEFITS

## FAQs

### **What if the relationship ends or the employee no longer meets all the requirements to qualify for Domestic Partner benefits?**

- They are no longer considered to be Domestic Partners and the former Domestic Partner is no longer eligible for Devereux benefits
- The employee must complete and submit a Statement of Termination of Domestic Partnership within 60 days from the date the relationship ends
  - This process will revoke the employee's Affidavit of Domestic Partnership
  - Remind the employee that they may also wish to change the beneficiary designations for life insurance, retirement benefits and voluntary benefits
    - The Statement of Termination of Domestic Partnership does not change the employee's beneficiary designations

# DOMESTIC PARTNER (DP) BENEFITS

## FAQs

### **If I terminate my Domestic Partner's benefits or terminate employment, will the Domestic Partner be eligible for COBRA?**

- No. According to the IRS, a “qualified beneficiary” status is limited to employees, their spouses and dependent children covered on the employer's group health plan.
- The former DP and their dependents' coverage ends at the end of month in which the partnership ended, and COBRA is not available.
- COBRA is available for the employee only.
  - Medical, dental and voluntary benefits will terminate on the last day of the month of the employee's termination or change to part-time status.
  - Group Term Life, Long-Term Disability and flexible spending accounts end on the date of termination or change to part-time status.

# FAMILY STATUS CHANGES

**The following Family Status Changes must be made within 30 days of the event:**

- Change in employment status (FT to PT or PT to FT)
- Significant changes in health plan cost or coverage levels
- The Domestic Partner and/or dependent(s) gain or lose other coverage
- Marriage or Domestic Partnership
- Moving out of a health plan's service area due to a change in residence or work site
- Leave of Absence
- Court order giving or removing custody or ordering/removing coverage



# FAMILY STATUS CHANGES

**The following Family Status Changes must be made within 60 days of the event:**

- The Domestic Partner's or dependent's Medicare or Medicaid coverage is lost or obtained
- Divorce, legal separation, annulment or affidavit that the Domestic Partnership has ended
- Birth, adoption, placement for adoption
- Death of spouse, Domestic Partner or dependent



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