

## **Domestic Partner Coverage Additional Amount to Offset the Taxes on Imputed Income**

The College provides funding for employees covering non tax-qualified dependents to help offset the employee's tax on imputed income for health benefits only. An additional amount will be added to the employee's gross wages to offset the tax incurred from the imputed income for health benefits. Funding will not be provided for dental benefits.

If you have a Domestic Partner and he or she and/or dependent children are not currently enrolled in the health plan and you want to take advantage of the additional funding described above, you will need to enroll them during this open enrollment period.

### **Q. Why does the College provide this funding?**

- A. IRS rules allow employers to provide health insurance for employees and their dependents who meet IRS requirements for tax-qualified dependent status on a pre-tax basis. Pre-tax contributions made through payroll deduction lower an employee's taxable earnings.

When an employee elects health coverage for any non tax-qualified dependents the above IRS rule does not apply. In this case the value of the health insurance coverage made on behalf of the non tax-qualified dependents (which includes an amount of the employee's contribution and the hidden amount contributed by the College each pay period) becomes taxable income to the employee and is referred to as imputed income. This imputed income is significant for the health plan and is subject to federal, state and social security taxes.

### **Q. Does this apply to dental coverage?**

- A. No, this benefit only applies to health coverage. You are still permitted to provide dental coverage for your non tax-qualified dependents, but you will not receive additional funding to help offset the additional tax responsibility on the imputed income for the dental coverage.

### **Q. Will the offset for the health plan cover all of my additional taxes from the imputed income?**

- A. It may or may not depending on your personal deductions and tax status. Because your gross salary will increase by the amount of the imputed income and by the amount of the offset for the health plan, you may incur a small additional amount of taxes on the increase in your salary but this additional funding will cover the majority of your additional taxes from the imputed income for the health plan only.