

2005 TAX INFORMATION SHEET FOR EMPLOYEES WITH DOMESTIC PARTNERS

Coverage Costs

Bowdoin College intends to treat employees who wish to cover their Domestic Partners under the Bowdoin College Health or Dental Plan in the same manner as employees with legal spouses, to the extent permitted by law. Accordingly, the cost of coverage (both your cost and the College's cost) for providing benefit coverage to your Domestic Partner under these Plans will be exactly the same as the cost of coverage for the spouse of an employee who is legally married. In addition, your cost for providing benefit coverage to the dependent children of your Domestic Partner under the Plans will be exactly the same as the cost for an employee's children.

The Internal Revenue Code allows employers to provide employees with certain benefits, such as Health and Dental Plan benefits, on a tax-free basis. These benefits also may be provided to dependents of employees on a tax-free basis if the dependents are "tax-qualified dependents." In addition, IRS rules permit employees to make pretax contributions to the Health and Dental Plans, Medical Reimbursement Accounts, and Dependent Reimbursement Accounts for benefits for themselves and their tax-qualified dependents.

These tax advantages are available only for employees and for dependents of employees who meet IRS requirements for tax-qualified dependent status (see below). Thus, if the College contributes to the cost of Health and Dental Plan benefits for an employee's Domestic Partner and children, and the Domestic Partner and children are **not** tax-qualified dependents of the employee, then the employee must include the amounts contributed by the College toward the Partner's and children's coverage in his or her gross income. Further, amounts contributed by the employee for these benefits must be on an after-tax rather than a before-tax basis. The income generated by these taxable benefits is called "imputed income" (see below). Finally, if your Domestic Partner and/or his or her children are not tax-qualified dependents, then you will not be eligible for reimbursement under your Medical Reimbursement Account or Dependent Care Reimbursement Account for medical or dependent care expenses incurred on their behalf.

Imputed Income

As described above, if your Domestic Partner and/or your Partner's children are not your tax-qualified dependents, then you may need to pay taxes on imputed income. In general, "imputed income" is the value of a taxable benefit that you will be required to include in gross income and that will be subject to federal, state and social security taxes. Your imputed income is the sum of (i) the amount that the College contributes toward coverage for your Domestic Partner and/or his or her children and (ii) the amount that you contribute toward the coverage of your Domestic Partner and/or his or her children under the Health and Dental Plans. The imputed income consequences of selecting coverage for Domestic Partners and/or children of Domestic Partners who are not tax-qualified dependents are described in the following tables. The "Total Imputed Income" amounts shown are the monthly amounts that you would be required to include in income under the various coverage options.

	<u>Total Imputed Income</u>	
<u>Anthem POS Plan</u>	<u>Monthly</u>	<u>Annually</u>
Employee/Child(ren)	\$243.80	\$2,925.60
Employee/Domestic Partner	\$489.07	\$5,868.85
Full Family	\$489.07	\$5,868.86
<u>Dental</u>		
Employee/Child(ren)	\$31.54	\$378.48
Employee/Domestic Partner	\$28.68	\$344.16
Full Family	\$57.64	\$691.68

The taxes that you will be required to pay on imputed income from covering your Domestic Partner (and/or his or her children) will be deducted from your paycheck automatically in accordance with the withholding allowances that you have claimed on Form W-4. Your tax liability will include federal and state income taxes, as well as your share of social security taxes. **You should consult your tax or financial advisor regarding the impact of the imputed income on your individual income taxes.**

Tax Qualified Dependent Status

As described above, the imputed income rules apply **only** if your Domestic Partner (and/or his or her children) is not your tax-qualified dependent. In general, your Domestic Partner (and/or his or her children) will qualify as your tax-qualified dependent for any calendar year (as permitted by law) if he or she: (i) is a citizen or national of the United States, Mexico, Canada, the Canal Zone or the Republic of Panama, (ii) is a member of your household for the year and has his or her principal place of abode in your home for the year, and (iii) receives over half of his or her support for the year from you. Support includes food, shelter, clothing, medical and dental care, and education. The amount of support you provide should be compared to your Domestic Partner's support (or the support provided to the children of your Domestic Partner) from all sources including support provided by the Partner (e.g., the Partner's wages and other income). In addition, the child of a Domestic Partner will qualify as a tax-qualified dependent if he or she is your son, step-son, daughter, or step-daughter and meets all of the requirements set forth above, except that he or she has not (i) had his or her principal place of abode in your home or (ii) been a member of your household.

The description of the requirements for qualifying as a tax-qualified dependent is only a brief summary of the law. **By providing this summary, the College is not providing you with legal advice regarding the tax-qualified dependent status of your Domestic Partner or his or her children or other tax advice.** If you are considering claiming your Partner or a child of your Partner as a tax-qualified dependent, then you should see your individual tax advisor. If your Partner or a child of your Partner qualified as a tax-qualified dependent, then you should complete Section C of the Certification of Domestic Partnership.