

Domestic Partnership Imputed Tax Notice

Domestic Partnership as defined by the State of California: Same-sex domestic partnerships between persons who are both at least 18 years of age, **OR** opposite sex domestic partnerships when one or both persons are over the age of 62 and one or both partners meet the specified eligibility criteria under the Social Security Act as defined in 42 U.S.C. Section 402 (a) for old-age insurance benefits **OR** Title XVI of the Social Security Act as defined in 42 U.S.C. Section 1381 for aged individuals.

DOCUMENTATION: Domestic Partnerships meeting these requirements are eligible to register with the Secretary of State a Declaration of Domestic Partnership. Based on your tax dependants, two additional forms may require completion with our Campus. All forms are available in the Human Resources, if you wish to add your domestic partner to your benefits.

TAX ADJUSTMENT: The medical and dental benefits are federally taxed. The Internal Revenue Service has ruled that the actual cost of the domestic partner benefit is taxable income to you. To arrive at the actual cost of this benefit, the CSU has examined the premium structure for health, dental, and vision benefits.

For health and dental, the CSU has the following structure:

- Employee only
- Employee plus one dependent
- Employee plus two or more dependents

For these two benefits, the taxable income of the domestic partner benefit will be the employer cost difference between the employee only and the employee plus one dependent premium rate. This approach recognizes the value of adding one dependent, using a single employee as the base line. The State Controller's Office will use a flat tax rate of 28% federal, 6.2% Social Security, and 1.45% Medicare to withhold taxes on the value of the benefits. These withholding will be reflected as adjustments in each monthly pay warrant.

The taxable value of the benefit will be constant, based on health premium costs, as shown in the following **examples**:

MEDICAL

- An employee enrolled in Kaiser for self only at the one-party rate adds his/her domestic partner. The monthly taxable value of the benefit is the two-party premium rate less the one-party premium rate (\$936 - \$493 = \$443). Each month, the employee will pay taxes on the additional \$443 taxable amount.
- An employee enrolled for self and family at the three-party rate adds his/her domestic partner. The taxable value of the benefit is still the two-party premium rate (\$936 - \$493 = \$443). Again, each month, the employee will pay taxes on the additional \$443 taxable amount.
- Please note, health premium rates may go up each year and these amounts will differ.

DENTAL

- An employee enrolled in Delta Dental Enhanced II for self only at the one-party rate adds his/her domestic partner. The monthly taxable value of the benefit is the two-party premium rate less the one-party premium rate (\$84.29 - \$44.68 = \$39.61). Each month the employee will pay taxes on the additional \$39.61 taxable amount.

PLEASE REVIEW THE REVERSE SIDE OF THIS DOCUMENT FOR ADDITIONAL INFORMATION:

VISION

For vision, the cost is a flat rate, regardless of the number of dependents. Adding domestic partners to the program will not have a negligible impact on the premium. As a result, there is no taxable income for adding a domestic partner to the vision insurance plan.

IMPUTED TAX DEDUCTIONS

The costs of these benefits are calculated and taxable by the look back system. Meaning, if your benefits begin on June 1st, then your health premium will be deducted from your June 1st pay check. The imputed taxes will then be deducted from your pay check the following month.

Please note the State controller calculates this tax and may take several months to make the calculation and deductions from your pay check. Please review your pay checks carefully after adding your domestic partner. If the imputed tax deduction is not taken by the second month after you have added your domestic partner, please contact Human Resources so we may research the matter. The State controller may deduct several months of imputed taxes without notice to the employee.

I have read and understand the information contained in this document regarding imputed taxes. I agree to the taxable income created by adding my domestic partner to my benefits and I understand that imputed taxes will be calculated and deducted from my future pay checks by the State controller.

Signature: _____

Print name: _____

Date: _____