

# Domestic Partner Information for Health Care Programs

## Summary of Benefits and Tax Implications

Brookhaven Science Associates (BSA) offers medical and dental coverage to the same-sex domestic partners of eligible employees, participants receiving long-term disability benefits, and retirees. This means that a same-sex domestic partner and that person's child(ren) will be eligible for the medical and dental benefits for which a spouse and child(ren) are currently eligible. Due to Internal Revenue Service regulations, expenses for domestic partners and their dependents are not eligible for reimbursement from either the health care or dependent care reimbursement accounts. (Domestic partner coverage is not available to persons with guest or visitor appointments, or research collaborators.)

This summary contains additional information on the definition of a domestic partner, and on the tax impact of enrolling a domestic partner for medical and/or dental coverage.

If, after reading this material, you want to enroll your same-sex domestic partner for benefits, please contact the Benefits Office at ext. 2877 or ext. 5126. You will need to complete enrollment and payroll authorization forms and either provide (a) a copy of your marriage certificate or (b) an Affidavit of Domestic Partnership form and proof of domestic partnership to the Benefits Office, Building 400B. You may enroll a same-sex domestic partner and such domestic partner's eligible child(ren) during the annual Open Enrollment period or when you have a Qualifying Event.

Once enrolled for the calendar year, you cannot change or cancel your medical or dental elections for the remainder of the calendar year. You may only make changes to your coverage during the annual Open Enrollment period, effective as of January 1 of the following year, or when a Qualifying Event occurs.

## Definition of Domestic Partner for the Purpose of the BSA Medical and Dental Programs

For the purpose of benefit eligibility, BSA defines "Domestic Partners" as an eligible BSA employee, participant receiving BSA long-term disability benefits, or a BSA retiree and one other person of the same sex sharing a committed and exclusive relationship that meets all of the following criteria:

- You are legally married (if you reside in a state that recognizes same-sex marriage) OR
- If you are live in a state that does not recognize same-sex marriage:
  - Both the enrollee and the domestic partner are eighteen years of age or older and unmarried, and
  - Are of the same sex as each other, and
  - Are not related by blood in any manner that would prohibit legal marriage, and
  - Have assumed mutual obligations for the welfare and support of each other, and
  - Have been sharing a common residence and living together as a couple in the same household, and
  - Are each other's sole domestic partner.

Domestic partners do not include roommates, siblings, parents or other blood relationships. BSA is extending medical and dental benefits to eligible domestic partners and their eligible dependents for all eligible regular employees who are scheduled to work 20 or more hours a week, participants receiving BSA long-term disability benefits, and BSA retirees who are otherwise eligible for medical benefits.

## Medical and Dental Program Provisions

The program provisions for domestic partners are generally the same as for married couples. For example, the same employee contribution amounts, enrollment procedures, and coverage limitations apply to everyone. However, there are some important procedural and federal income tax differences, so be sure to carefully review this entire summary as you and your domestic partner make your benefits decisions.

## Enrolling for Benefits

Before you can enroll your domestic partner in the program, you must first either (a) a copy of your marriage certificate or (b) an Affidavit of Domestic Partnership form and proof of domestic partnership (a copy of your domestic partner registry or proof of financial interdependence). By signing the form, you affirm that your relationship with your domestic partner meets BSA's definition. If this relationship ends or changes so that it no longer meets BSA's definition, you are required to notify the Benefits Office immediately by submitting an Affidavit of Termination of Domestic Partnership form. These forms are available in the Benefits Office.

Falsification of information on the certification form or failure to notify BSA of any relevant change in the relationship will subject you to disciplinary action up to and including termination of employment and possible charges of fraud.

You must sign up your domestic partner and any eligible domestic partner's children during the annual enrollment period or within 31 days of either:

- Becoming eligible for the benefit or
- The date that the relationship becomes one that meets BSA's criteria for such benefit.

## Federal Tax Consequences

You should read this section carefully, since the tax treatment of domestic partner health care benefits under federal law is different than the tax treatment of health care benefits provided to a spouse.

Federal tax law generally provides that the provision of health care benefits by an employer to its employees does not create any additional income for an employee. The same is true of employer-provided health care benefits for the spouses and dependent children of employees. Furthermore, federal tax law provides that employees can make pre-tax contributions to pay for benefits for themselves, their dependent children and spouses.

However, there is no such treatment for domestic partners. In general, the provision of health care benefits to your domestic partner (or that person's child) will result in additional taxable income to you. There is an exception to this general statement. If your domestic partner (or that person's child(ren)) qualifies as your dependent under federal tax law, such tax treatment can be avoided. While you will have to make your own informed decision about the status of your domestic partner and/or that person's child(ren), in general, either will qualify as your dependent if all of the following are true:

- The person is a citizen or national of the United States or a resident of the U.S., Canada or Mexico,
- The person is not your spouse,
- The person is a member of your household during the entire calendar year,
- The person has his or her principal place of abode throughout the year in your home,
- The person receives more than half of his or her annual financial support from you, and
- He or she does not violate local law by virtue of his or her relationship with you.

If this is the case, to avoid such taxation, you will need to complete a Dependent Tax Affidavit form.

Assuming that your domestic partner and/or that person's child is not your dependent, then enrolling either of them in the program will result in additional taxable income to you. The amount of additional taxable income will be equal to the excess of the value of the benefits provided over the amounts you contribute under the program for the benefits. Your contributions for such dependent's coverage must be made on an after-tax basis. Reimbursements received or payments made to providers under the program will not be taxable to you.

Any tax consequences of the domestic partnership and the coverage offered under the program are the responsibility of the employee and not of BSA. You should also be aware that some courts have recognized non-marriage relationships as the equivalent of marriage for the purpose of establishing and dividing community property. Any legal consequences of domestic partnership are the responsibility of the employee and not of BSA.

## Contributions for Coverage

Your contributions for providing health care coverage to your domestic partner (or that person's child) will be the same as that charged for a spouse (or child), if any. However, current IRS rules require:

- Any contribution for your domestic partner and that person's child(ren) must be made on a post-tax basis.
- You pay taxes on the additional amount BSA contributes toward coverage for your domestic partner; this is called "imputed income." Taxes on the imputed income will be deducted from your paycheck automatically just like your regular pay.

### Example

This example assumes that Suzy is an active BSA employee, and has Employee Only coverage under the CIGNA program. Suzy wants to add a non-dependent domestic partner. This example is merely for illustrative purposes.

### Suzy's Cost

Let's say the cost to BSA per month for Employee Only coverage is \$500, toward which Suzy contributes \$70. When she adds one additional person, BSA's cost is \$1,100, and Suzy would generally contribute \$150 on a pre-tax basis towards that amount. However, in the domestic partner context, the employee contribution has to be split out differently. Part of the employee contribution amount is contributed on a pre-tax basis (for Suzy's coverage) and part is on an after-tax basis (for her partner's coverage). Therefore, in this example, Suzy would pay \$80 on an after-tax basis for her partner's coverage (\$150-\$70=\$80), and \$70 on a pre-tax basis for her own coverage. Both these amounts will be deducted from Suzy's paycheck.

### Suzy's Imputed Income

The other part of the equation is the amount of imputed income that Suzy will have included in her gross income due to BSA's added cost for the coverage for Suzy's partner. That amount is calculated by subtracting from BSA's total cost for the coverage for Suzy and her partner (\$1,100) the total amount that is paid for Suzy's coverage alone (\$500). The result is \$600. The amount of Suzy's additional contribution for her partner's coverage is subtracted from this amount to determine Suzy's imputed income of \$520 (\$600-\$80=\$520). This amount will be added as income to Suzy's paycheck each month, and federal taxes on the imputed income will be deducted automatically. State and local income and employment taxes may also be due (you should consult your tax advisor as to how this imputed income will affect you, given your personal circumstances).

## Continuation Coverage

A Federal law known as COBRA requires that continuation coverage be offered for certain periods of time to employees (as well as their spouses and dependents) upon the occurrence of specified events that would otherwise lead to a loss of health care coverage. Federal law does not require that the same protection be afforded to domestic partners (or their children) who are not dependents of employees. BSA does, however, provide COBRA continuation coverage for domestic partners and/or their dependents.