

DOMESTIC PARTNERSHIP BENEFITS

Legislation has passed which allows domestic partners to be eligible for enrollment in a CalPERS medical plan, and dental and vision insurance by providing:

- Certification by the Secretary of State verifying domestic partnership.

Definition of Domestic Partner and Enrollment in Benefit Plans

Specified same-sex domestic partnerships between persons who are both at least 18 years of age, and specified opposite sex domestic partnerships when **one** or both partners are over the age of 62.

Process

- Registration for a "Declaration of Domestic Partnership" <http://www.ss.ca.gov/dpregistry/> must be completed and sent to the Secretary of State for processing. When returned, a copy of the dated registration must be provided to HSU's Human Resources office within 60 days of the date of registration.

Enrollments after the 60-day deadline will be subject to a 90-day waiting period for benefits enrollment.

Employees may then complete enrollment forms for health insurance in the HSU Human Resources office and must also complete the following forms: Statement of Financial Liability for Domestic Partner Health Benefits; Statement of Financial Liability for Domestic Partner Dental and Vision Benefits; and, an Affidavit of Eligibility for Economically Dependent Children, if adding a domestic partner's children.

TAXATION - DOMESTIC PARTNERSHIP BENEFIT

Internal Revenue Service guidelines establish that adding a domestic partner to your benefits will result in taxable income to the employee for **Federal tax purposes only**. The state of California no longer taxes the imputed value of domestic partner health related benefits. However, federal law remains unchanged and domestic partnership benefits continue to be taxed unless the employee claims the domestic partner as a dependent for federal income tax purposes and completes a CSU Domestic Partner Tax Dependent Certification form.

The Internal Revenue Service has ruled that the actual cost of the domestic partner benefit is taxable income to the employee. To arrive at the actual cost of this benefit, the California State University has examined the premium structure for health, vision and dental benefits.

Health and Dental: For health and dental, 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 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.

The taxable value of the benefit will be constant as shown in the following examples:

- 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 ($\$368.12 - \$184.06 = \$184.06$). Each month, the employee will have an additional \$184.06 in taxable income.
- 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 less the one-party premium rate ($\$368.12 - \$184.06 = \$184.06$). Again, each month, the employee will have an additional \$184.06 in taxable income.

The taxable value for dental insurance is the difference between the premium for a one-party enrollment and two-party enrollment.

Vision: For vision, the cost is a flat rate, regardless of the number of dependents. Adding domestic partners to the program will have a negligible impact on the premium. As a result, there is no taxable income to you for adding a domestic partner to your vision insurance plan.

Tax Withholding Method: The Controller's Office will implement a "look back" method for tax withholding on the domestic partner benefit beginning with the previous month. Key points are:

- The Controller's Office will "look back" at the prior month to determine if an employee has added a domestic partner in that month. The domestic partner taxable income from the prior month will be included in the current month and appropriate taxes will be withheld. For example, the May "look back" will be to April.
- The Controller's Office will also "look back" and compute outstanding tax liability for Social Security and Medicare for any previous months, if applicable. For example, in the May master payroll (paid May 31), the Controller's Office will withhold applicable Social Security and Medicare monthly taxes for April, plus any prior pay period liability for any previous months.

EXAMPLE: Federal taxes for April will be withheld from the May master payroll warrant. Taxable income will be reported on your annual W-2.

FINANCIAL LIABILITY OF EMPLOYEE WITH DOMESTIC PARTNER

The enrolled individual is responsible for maintaining accurate enrollment status in the CalPERS health program. Failure to notify the employer or CalPERS of the termination of the domestic partnership shall make the enrollee liable for any and all additional expenses incurred by the domestic partner and/or his or her dependents. Attached to this document are a **Statement of Financial Liability for Domestic Partner Health Benefits** and a **Statement of Financial**

Liability for Domestic Partner Dental and Vision Benefits. Both forms must be completed and signed by the employee and submitted with the health and dental benefits enrollment forms.

CHILDREN OF DOMESTIC PARTNERS

Coverage: Children of domestic partners whom an individual wishes to enroll must meet eligibility requirements established under PEMHCA regulations regarding economically dependent children. The member must submit to the HSU Benefits Office an Affidavit of Eligibility for Economically Dependent Children asserting a parent-child relationship exists.

Termination of Coverage: Coverage of children of Domestic Partners will be terminated for any of the following reasons:

- The child attains the age of 23 (extensions may be requested for children with disabilities under existing rules for these cases)
- The child marries
- The domestic partnership is terminated

TERMINATION OF DOMESTIC PARTNERSHIP BENEFITS

The enrolled individual or employer must cancel the health benefits coverage of the domestic partner when the domestic partnership terminates or when the domestic partners no longer share a common residence. Upon termination of the domestic partner's coverage, coverage for children of domestic partners, enrolled as economically dependent children under the domestic partnership, must also be terminated. Cancellation of domestic partnership coverage can be accomplished by submitting a Health & Dental Benefits Enrollment/Change Form to the Humboldt State University Benefits Office. The Secretary of State requires submission of notice of Termination of Domestic Partnership form, <http://www.ss.ca.gov/dpregistry/>(Family Code Section 299).