

Imputed Income for Domestic Partnerships

While we at S&A Benefits cannot provide tax advice, we can provide insurance advice. If there are any tax questions, we recommend that you seek the counsel of a certified tax advisor.

Imputed income becomes created with insurance premiums as the current Federal tax code does not allow parity between Domestic Partnerships and “traditional” married couples. For the purpose of tax obligations, the definition of legally married is defined by the Federal government and not by local statute. For insurance purposes, insurers will charge the same (equal) premium rate basic regardless of the actual relationship of the employer and the partner, that is legally married or same or opposite gender relationships are equal to the insurance contract.

If the Domestic Partnership results in health coverage extended to the children of the Domestic Partner, the children’s portion of the premium could be taxable. The children have to be financially dependent upon the employee to have the premium for the benefits to be considered free of income. Typically one would think that by the child(ren) having benefits under the employee they would be financially dependent. The determination of financial dependency lies with the employer and not with the insurance carrier. The below link brings you to the IRS web-page that provides insight into this issue;

<http://www.irs.gov/govt/fslg/article/0,,id=112720,00.html>

The below link provides verification from the Internal Revenue Service (IRS Code 152) that employee benefits are taxable as imputed income. I am only providing this in case an employee should challenge you, and here it is;

http://www.irs.gov/irb/2004-49_IRB/ar10.html

As mentioned previously while we would not render tax advice, we provide to all our clients an Excel workbook that determines the imputed income value of the benefits elected by Domestic Partnerships.