PEBTF Health Benefits

Imputed Income, Tax Year 2020

Domestic Partner Health Coverage for Tax Year 2020
PEBTF-eligible employees can extend their health benefits to qualified domestic partners and the children of qualified domestic partners. The plan of benefits includes medical, prescription drug, dental, vision and hearing aid.

Note: Effective January 1, 2021, Domestic Partners and children of Domestic Partners will no longer be eligible for coverage under the PEBTF.

Taxable Income

Under federal law, non-cash compensation (also known as imputed income) is considered taxable income. The federal government considers domestic partner health benefits as imputed income. If you enroll a domestic partner and/or their dependents in health benefits, the value of those benefits may be added to your gross biweekly salary. Although you do not receive additional monies in your pay, you may be responsible for paying Federal, Social Security and Medicare taxes for the value of the benefits. This IRS regulation does not apply to employees who already have family coverage for their own children.

You can refer to the table on the next page to see if the value of your domestic partner's benefits will be considered imputed income.

If your domestic partner enrollment is considered imputed income for tax purposes, your commonwealth pay statement will show the value of these benefits as non-cash compensation.

Following are the 2020 biweekly imputed income amounts that will be taxable in your pay.

- Medical only ....$225.02 biweekly taxable income
- Prescription drug only ....$ 59.74 biweekly taxable income
- Supplemental benefits only ....$ 10.82 biweekly taxable income
- Medical, prescription drug and supplemental ....$295.58 biweekly taxable income

In addition to imputed income, in certain situations, the additional cost for your plan buy-up and your dependent buy-up, if applicable, may be taken on a post-tax basis. You can refer to the table on the next page to see if these buy-up costs will be taken from your pay post-tax.

Understanding the Impact

You can ask one simple question to determine if your pay will be impacted when you enroll a domestic partner.

Do you already have a tax-dependent child enrolled in health coverage?

☐ **Yes, I have a tax-dependent child enrolled already!**
Based on IRS regulations, you will not have any tax impacts if you also add a domestic partner or child of a domestic partner to your health plan.

☐ **No, I do not have a tax-dependent child already enrolled in health coverage.**
Unfortunately, your pay will be impacted if you choose to enroll a domestic partner or a child of your domestic partner. Here are some tax impacts you should consider before you make an enrollment decision.

1. **Employee contribution:** this contribution will not be impacted. Your biweekly deduction will continue to be taken pre-tax.

2. **Imputed income:** the value of your domestic partner's benefits will be considered non-cash compensation. This means you will be taxed for the applicable benefit amounts (see page one) in your biweekly pay.

3. **Plan buy-up:** if you are enrolled in the Choice PPO, you will have tax impacts on your pay. While the employee-only portion of the plan buy-up will continue to be taken pretax, the family coverage portion of the buy-up will be taken post-tax. This amount is $19.64 biweekly for calendar year 2020.

4. **Dependent buy-up:** if you are paying a dependent buy-up, you will have tax impacts on your pay. The additional cost for family coverage will be taken from your pay on a post-tax basis.
   - This applies to full-time employees who elect to cover dependents during the first six months of employment.
   - This also applies to part-time employees paying additional costs to cover dependents (either during or after the first six months).

** Employees of the Liquor Control Board, Office of the Attorney General, Gaming Control Board, Public Utility Commission, Auditor General and all other agencies not under the Governor's jurisdiction should contact their agency HR office.*

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