

DOMESTIC PARTNER IMPUTED INCOME

1. Employer provided health care benefits (medical, dental, vision, etc.) for a domestic partner is a taxable event to the employee. Employers are required to impute income for the value of the coverage provided to the partner.
2. The value of the coverage is the fair market value (FMV) of the benefit. The IRS does not have a required formula for calculating the fair market value. Many employers use the employee only premium rate as the FMV for the partner's coverage, and some employers use the difference between the employee plus spouse rate and the employee only rate.
3. The imputed income amount is calculated on the portion of the premium the employer pays. Employee contributions toward the cost of the partner's coverage must be made on an after-tax basis.
4. Employers must impute income for all benefits provided to the partner's dependents also.
5. Employers should deduct the amount of the employee's post tax contribution for the partner's, or the partner's dependent coverage, from the FMV when calculating the imputed income.

Imputed Income Example

Premiums:

\$400 employee only
\$850 employee plus spouse/DP
\$1200 employee plus family

Employee contributions:

\$50 employee only
\$75 employee plus spouse/DP
\$100 employee plus family

Imputed income calculation for DP's coverage:

FMV	\$400
DP post-tax contribution	<u>-25</u>
<small>(See above contributions: \$75 -50)</small>	
DP Imputed Income	\$375

Note: California state law treats coverage for Registered Domestic Partners the same as spouse coverage.

This summary is for general information only. It is not legal advice. You should seek advice of legal counsel or your tax advisor for specific situations.