

# COVERING YOUR DOMESTIC PARTNER

## Under a Company HDHP: Tax Implications

At Monument, the cost of monthly health care premiums is shared between the Company and you as a plan participant. In general, the Company contributes 85% of this cost each month while you pay just 15%.

Under federal tax law, the portion of monthly premiums that Monument pays for **your coverage** (and that of your spouse, child(ren) and certain dependents\*) **is not taxed** as income. However, a domestic partner is not considered a spouse under federal law. While premiums for domestic partner coverage are the same as those for covering a spouse or family, there are two income tax implications you should be aware of:

- The portion of the premium you pay that is related to your domestic partner is deducted from your pay on an *after-tax basis* rather than a pre-tax basis; and,
- The premium amount your Heritage employer contributes to cover your domestic partner and/or your partner's children is considered taxable income (i.e., **imputed income**) and is reported as such on your Form W-2.

Both of these will result in additional income taxes being withheld from your pay, so the cost of covering your domestic partner will have the effect of lowering your net income.

If you know your employer's share of the cost for covering yourself *and* yourself plus your domestic partner,\*\* as well as your tax rate, you can estimate the tax implications and decide if it makes financial sense to cover your partner for the year. Other factors, including plan features, will affect your decision as well. **See the example on the next page.**

### Enrolling Your Domestic Partner in a THG Health Care Plan

Please enroll in benefits online through [Employee Self-Service](#) within 30 days of your date of hire or of your family status change, or during annual open enrollment. To enroll your domestic partner, complete this additional form and email it to HR Shared Services at [HRSS@thgrp.com](mailto:HRSS@thgrp.com):

- Domestic Partnership Affidavit Form ( *follow this navigation path: [Monument Connect](#) → Human Resources → Benefits Library → Domestic Partner Information* )

*\*NOTE: If your partner is an IRS-qualifying dependent on your federal tax return, your employer's contribution would not be taxed. For the definition of dependent, see <https://www.irs.gov/pub/irs-pdf/i1040qi.pdf>, page 18, Who Qualifies as a Dependent. You may also wish to consult a tax professional for personalized assistance.*

*\*\*Refer to **Share of Monthly Premiums by Coverage Level, Plan Year 2022**, page 3, for share of cost information.*



### Example (2022 Plan Year)

**ASSUMPTIONS:**

**Plan:** \$4,000 HDHP (coverage level: Employee + Spouse/Domestic Partner)

**Pay frequency:** monthly (12x per year)

**Income tax rate:** 20%

- 1 Find your and your employer’s share of the cost per month for covering your domestic partner in the table on page 3:
  - a. Calculate the difference YOU PAY in premium that is attributable to your domestic partner, i.e., how much more per month it costs to cover yourself and domestic partner vs. covering just yourself:  $\$164.98 - \$67.72 = \mathbf{\$97.26}$  per month. This amount is deducted from your pay on an *after-tax basis* rather than a pre-tax basis.
  - b. Calculate the difference YOUR EMPLOYER PAYS in premium that is attributable to your domestic partner vs. covering just yourself:  $\$1,313.71 - \$539.28 = \mathbf{\$774.43}$ . This amount is considered taxable income (i.e. **imputed income**) and is reported as such on your Form W-2. Since it’s taxable income, your take-home pay will decrease by the amount of income tax you’ll pay on this amount.
  
- 2 Estimate additional monthly income tax on these amounts, assuming a 20% tax rate ( $\$97.26 \times .20 = \mathbf{\$19.45}$ ) plus ( $\$154.89 \times .20 = \mathbf{\$154.89}$ )
  
- 3 Calculate annual income tax by multiplying monthly numbers by 12 ( $\$19.45 \times 12 = \mathbf{\$233.40}$ ) and ( $\$154.89 \times 12 = \mathbf{\$1,858.68}$ ) and adding the results together ( $\$233.40 + \$1,858.68 = \mathbf{\$2,092.08}$ )

		Employee-paid (or share of) monthly premium	Employer-paid (or share of) monthly premium
Employee only	Before tax	\$67.72	\$539.28
Employee + spouse	Before tax	\$164.98	\$1,313.71
Employee + domestic partner (same rate as for Employee + spouse)	Difference in premium attributable to domestic partner, after tax	<b>1</b> \$97.26	<b>\$774.43</b>
		↑ After tax deduction per month	↑ Additional taxable (or “imputed”) income per month
Additional monthly income tax		$\$97.26 \times .20 =$ <b>2</b> \$19.45	$\$774.43 \times .20 =$ <b>\$154.89</b>
Additional annual (x 12) income tax		<b>3</b> \$233.40	<b>\$1,858.68</b>
<b>Total additional annual income tax per year</b>			<b>3</b> \$2,092.08

**Share of Monthly Premiums by Coverage Level (2022 Plan Year)**

<b>THG \$2800/\$5600 HDHP2 - Monthly Rates</b>			
<b>Coverage level</b>	<b>Employee Rate</b>	<b>Company Rate</b>	<b>Total</b>
Employee only	\$116.09	\$544.98	\$661.07
Employee + spouse	\$282.83	\$1,328.59	\$1,611.42
Employee + child(ren)	\$203.91	\$984.60	\$1,188.51
Family	\$373.74	\$1,773.56	\$2,147.30
<b>THG \$4000/\$8000 HDHP1 - Monthly Rates</b>			
<b>Coverage level</b>	<b>Employee Rate</b>	<b>Company Rate</b>	<b>Total</b>
Employee only	\$67.72	\$539.28	\$607.00
Employee + spouse	\$164.98	\$1,313.71	\$1,478.69
Employee + child(ren)	\$118.96	\$973.88	\$1,092.84
Family	\$218.01	\$1,754.97	\$1,972.98

Contact HR Shared Services at 800-303-0408 or [HRSS@thgrp.com](mailto:HRSS@thgrp.com) with questions about benefits enrollment, payroll deductions or other HR transaction-related matters.

