



## Imputed Income Explained

Dependents you cannot claim on your federal income tax return are referred to as “non-tax-qualified dependents.” The IRS considers the University’s contribution toward insurance coverage for a non-tax-qualified dependent (such as a domestic partner or the child of a domestic partner) as your imputed income. Imputed income increases your taxable gross income, and is subject to federal and state income taxes and FICA (Social Security and Medicare) taxes. To determine if your domestic partner or your domestic partner’s children qualify as your tax dependents, please refer to IRS [Notice 2008-5](#) “Qualifying Relative for Purposes of Section 152(d)(1).”

The portion of the premium you pay for yourself and the dependents you can claim on your federal income tax return is taken from your paycheck on a pretax basis (before taxes are deducted). However, the portion of the premium you pay through payroll deduction for dependents you cannot claim on your federal income tax return is taken from your paycheck on a post-tax basis (after taxes are deducted).

Imputed income is reported on your annual W-2 Form and is not included in the amount used to calculate your income tax withholding rate.

### Employee Plus Domestic Partner Coverage Example

If you enroll in Employee + Adult coverage for yourself and your non-tax-qualified domestic partner, you must pay taxes on the difference between the University’s contributions for Employee + Adult coverage on the Alternative Plan and what Employee-only coverage would cost on that plan.

|   |  |
|---|--|
| Monthly employer contribution for Employee + Adult tier | \$1,190.26   |
| Monthly employer contribution for Employee-only tier    | – \$583.84   |
| <b>Difference</b>                                       | <b>\$606.42/month</b> (Employer contribution for domestic partner) |

Based on this calculation, your imputed income (additional taxable income) is \$606.42 per month, or \$7,277.04 per year.

### Family Coverage Example

If you enroll in Family coverage for your tax-qualified child and your non-tax-qualified domestic partner, you will have to pay taxes on the difference between the University’s contributions for Family coverage on the Alternative plan, and what Employee + Child coverage on that plan would cost.

|   |   |
|---|---|
| Employer contribution for Family tier           | \$1,757.72  |
| Employer contribution for Employee + Child tier | – \$1,156.94  |
| <b>Difference</b>                               | <b>\$ 600.78/month</b> (Employer contribution for domestic partner) |

Thus, your imputed income (additional taxable income) is \$600.78 per month, or \$7,209.36 per year.