

Domestic Partner Imputed Income FAQ

What is imputed income?

Imputed income is the fair market value of a benefit that is added to an employee's income so that it can be taxed, but the employee does not receive the imputed income in their paycheck as net pay. The fair market value of the health benefits for a domestic partner and domestic partner's child(ren) provided through an employee's employer-sponsored health plans (medical, dental and vision) must be treated as imputed income if the domestic partner is not the employee's tax dependent.

Why do I incur imputed income for having a domestic partner on my health benefits?

The Internal Revenue Service (IRS) permits certain benefits to be paid for on a pre-tax basis for employees and their spouses. However, domestic partners are not considered spouses for federal tax purposes and are not eligible for benefits to be paid for on a pre-tax basis unless they are also the employee's tax dependent. Because domestic partners are not eligible for benefits to be paid for on a pre-tax basis, the value of the domestic partner's and the domestic partner's child(ren)'s coverage must be included in the employee's income so that it can be taxed.

If my domestic partner and I get married, would I have imputed income?

No, if you are legally married, you should submit a case via the ServiceNow Employee Center portal within 30 days of the date of marriage to update your domestic partner to a spouse. Marriage is a qualifying life event that would allow mid-year changes to your benefits. Once notification is provided and your benefits are updated, you will no longer be responsible for the imputed income.

If my domestic partner is also my tax dependent, will I have imputed income for my domestic partner's healthcare benefits?

No, if your domestic partner qualifies as your tax dependent as defined by Section 152 of the Internal Revenue Code, you will not have imputed income for that coverage.

How can I tell if my domestic partner is also my tax dependent?

The tax laws regarding the dependent status of a domestic partner are complicated, and we are unable to provide tax advice. We recommend that you check with a personal tax adviser to determine whether your domestic partner qualifies as your tax dependent as defined in section 152 of the Internal Revenue Code.

How is imputed income calculated?

Imputed income is calculated by taking the difference between the premiums for an employee-plus-domestic-partner plan and the premiums for an employee-only plan for both the employee and employer portions. The difference is the amount that you are taxed on each pay period.

Imputed income is subject to Social Security and Medicare tax.



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Example* using hypothetical premiums for Plan A

Per Paycheck Premiums	HRA Participant Status		Employee + DP Coverage		Employee Only Coverage		Total	Imputed Income
		FHRA	Employer Portion	\$714.47	=	\$310.64	=	\$403.83
Employee Portion			\$0		\$0		\$0	
PHRA		Employer Portion	\$666.93	=	\$289.87	=	\$377.06	\$403.83
		Employee Portion	\$47.54		\$20.77		\$26.77	
NHRA		Employer Portion	\$619.39	=	\$269.10	=	\$350.29	\$403.83
		Employee Portion	\$95.08		\$41.54		\$53.54	

An employee who participates in Plan A and elects employee + domestic partner coverage will see \$403.83 added to their earnings each pay period. That amount is taxed but is not included in net pay (i.e., you will not receive \$403.83 as cash compensation in your paycheck).

*This example is informational and general in nature and not specific to any current Exact Sciences medical plan option.

FHRA = Full Health Risk Assessment participation
 PHRA = Partial Health Risk Assessment Participation
 NHRA = Non Health Risk Assessment Participation