<u>Example of Tax Implication of Adding a Domestic Partner to Medical Plan</u>

Domestic Partners are not considered to be tax-qualified dependents unless the provisions under the Internal Revenue Code Section 152 are met.

--The value of providing the domestic partner benefit is considered taxable income to the employee and subject to federal taxes, social security and Medicare taxes.

This example shows the income tax impact of adding a domestic partner to the medical plan.

2021 Leon County Medical Insurance Premiums Per Month

	Total Premium	Leon County Pays	Employee Pays
Employee Only	$765.88	$670.15	$95.74
Employee + 1	$1,578.66	$1,341.86	$236.80
Family	$2,017.16	$1,613.73	$403.43

A Leon County employee currently has Employee Only coverage and wants to add a domestic partner to the medical plan. The employee's coverage will change to Employee + 1.

The employee's premium through payroll deduction per month would be $236.80:

Additionally, the value of the employer provided domestic partner coverage is considered taxable income to the employee. The value is $765.88 per month (total cost of Employee Only coverage)

Federal income taxes are deducted from the employees' taxable income for the cost of providing coverage for the domestic partner. If we assume the employee is in the 30% percentile income tax bracket, the additional in federal tax withheld would be $229.76 (30% of $765.88).

In this example, the total estimated additional cost to the employee to add the domestic partner is:

	Monthly Increase in Cost	Annual increase in cost
Difference in Premium Between Employee Only coverage and Employee + 1	$141.06	$1,692.72
Additional Federal Income Taxes	$229.76	$2,757.12
Additional Social Security & Medicare Taxes (7.65%)	$39.00	$468.00
Total Additional Cost	$409.82	$4,917.84

Leon County is also responsible for paying the Employer portion of the social security and Medicare taxes.