



## 2017 Domestic Partner Health Coverage Taxable Income and Incremental Costs

Along with sharing the cost of your health care coverage with MIT, there are additional financial and tax implications to consider with a domestic partner. The Internal Revenue Service (IRS) has determined that MIT’s cost of providing benefits for a domestic partner and their children is considered “imputed income,” which means it is subject to state and federal taxes, including Social Security and Medicare (aka “FICA”) taxes.

MIT must report the fair market premium value (FMV) of benefits provided to an employee’s domestic partner and to the domestic partner’s children as additional wages or “imputed income” to the IRS, resulting in increased taxable gross income for federal and state income taxes.

The following chart shows the weekly/monthly employee premiums, as well as the fair market premium value of domestic partner benefits based on level of coverage for the MIT Traditional and MIT Choice medical plans (Blue Cross Blue Shield plans). The imputed income tax is determined by using the amounts in the 2017 Monthly/Weekly “Fair Market Value of Domestic Partner Benefits” column.

MIT Traditional	2017 Monthly Faculty/Staff	
Level of Coverage	Employee Premium	Fair Market Value of Domestic Partner Benefits
Employee + Domestic Partner	\$479.00	\$663.00
Employee + Employee’s Children + Domestic Partner	\$632.00	\$663.00
Employee + Domestic Partner + Domestic Partner’s Children	\$632.00	\$1,193.00
Employee + Employee’s Children + Domestic Partner + Domestic Partner’s Children	\$632.00	\$1,193.00

MIT Traditional	2017 Weekly Support/Service Staff	
Level of Coverage	Employee Premium	Fair Market Value of Domestic Partner Benefits
Employee + Domestic Partner	\$104.77	\$153.00
Employee + Employee’s Children + Domestic Partner	\$140.08	\$153.00
Employee + Domestic Partner + Domestic Partner’s Children	\$140.08	\$275.31
Employee + Employee’s Children + Domestic Partner + Domestic Partner’s Children	\$140.08	\$275.31



MIT Choice	2017 Monthly Faculty/Staff	
	Employee Premium	Fair Market Value of Domestic Partner Benefits
Employee + Domestic Partner	\$521.00	\$683.00
Employee + Employee's Children + Domestic Partner	\$690.00	\$683.00
Employee + Domestic Partner + Domestic Partner's Children	\$690.00	\$1,229.00
Employee + Employee's Children + Domestic Partner + Domestic Partner's Children	\$690.00	\$1,229.00

MIT Choice	2017 Weekly Support/Service Staff	
	Employee Premium	Fair Market Value of Domestic Partner Benefits
Employee + Domestic Partner	\$114.46	\$157.62
Employee + Employee's Children + Domestic Partner	\$153.46	\$157.62
Employee + Domestic Partner + Domestic Partner's Children	\$153.46	\$283.62
Employee + Employee's Children + Domestic Partner + Domestic Partner's Children	\$153.46	\$283.62

### How the Imputed Income Tax is Calculated

Below is an example of how imputed income tax is calculated. In the example, let's assume this is a monthly-paid employee whose federal tax rate is 15%, and that the employee enrolls his/her domestic partner under the MIT Choice medical and the Comprehensive dental plans. Note an employee's actual imputed income tax is calculated using the federal tax rate determined based on their taxable wages and reported exemptions.

Medical (Choice plan):	\$683.00/month (from FMV of Domestic Partner Benefits column)
Dental (Comprehensive):	<u>59.00/month</u>
<b>Total FMV Medical + Dental:</b>	<b>\$742.00/month</b>
Social Security Tax (6.20%):	\$ 46.00/month = \$742.00 x 6.20%
Medicare Tax (1.45%):	10.76/month = \$742.00 x 1.45%
Federal Income Tax (15.00%):	111.30/month = \$742.00 x 15.00%
MA Income Tax (5.20%):	<u>38.58/month</u> = \$742.00 x 5.20%
<b>Total Imputed Income Tax:</b>	<b>\$206.64/month</b>

In the above example, the "Fair Market Value of Domestic Partner Benefits" for monthly medical and dental coverage is used to determine the imputed income tax amount. The total fair market value of the medical and dental plans is then multiplied by the applicable federal, state, and FICA taxes to determine how much this employee should expect to pay in additional taxes on a monthly basis if the domestic partner is enrolled in the employee's MIT health plans.