

TAX INFORMATION ON HEALTH BENEFITS FOR DOMESTIC PARTNERS

General Tax Rules

The amount of your contribution to provide health benefits for a domestic partner and children of a domestic partner will be the same as for a spouse and his or her children. However, the Internal Revenue Code treats spouses and children through marriage differently with respect to health benefits. The cost of coverage for a spouse and stepchildren is automatically exempt from taxes, but for a person who is not a spouse or a stepchild through marriage, a payment for health benefit coverage is not exempt from tax unless the person is a “dependent” as defined in the Internal Revenue Code.

If your domestic partner and his or her children are your tax qualified dependents under section 152 of the Internal Revenue Code, you must provide Lehigh University (the “University”) with an “Affidavit of Tax Qualified Dependents” to that effect to gain the benefit of the tax exemption. If your domestic partner and his or her children are not your tax qualified dependents, the payments for coverage under the University’s benefit programs will be deducted from your salary on a pre-tax basis and then the total **value** of the coverage provided to your domestic partner and his or her children under the University’s benefit program will be considered taxable income to you. The University will withhold city, state and federal taxes on the additional amount. The value of the coverage provided to your domestic partner and his or her children will be based on the cost of the coverage under the University’s benefit program. If your domestic partner and his or her children qualify as tax qualified dependents, the cost of coverage under the University’s benefit programs will be deducted from your pay on a pre-tax basis and no additional amount will be considered additional income to you.

If your domestic partner and his or her children experience a change in status that converts your domestic partner or his or her children to a tax qualified dependent or to a non-tax qualified dependent, you should inform the University within 30 days of the modification so that the value of coverage of benefits provided under the University’s benefit programs may be taxed (or not taxed) appropriately.

Definition of Dependency

Under the definition in Section 152 of the Internal Revenue Code, your domestic partner is a dependent if:

1. Your domestic partner is a member of your household, and has his or her principal place of residence in your home.
2. You furnish over half of your domestic partner’s support for the year. In making this calculation the amount you contribute towards your domestic partner’s support must be compared with the amounts received for support of your domestic partner from all other sources, including any amounts supplied by him, or her and including earnings.

If you elect to have the eligible children of your domestic partner covered by the University’s benefit programs, the same rules on dependency apply. The value of coverage will be taxable to you unless the children are your dependent(s). So, if the children do not have their principal place of residence in your home and receive over half of their support from you, the children are not your tax qualified dependents and the value of coverage under the University’s benefit programs will be taxable to you.

We suggest that you consult a tax advisor to determine whether you may claim your domestic partner and/or his or her children as dependents for tax purposes, before you certify that they are dependents.