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SACRAMENTO STATE

Domestic Partner's Benefits
Tax Implication

The Internal Revenue Service ruled that the actual cost of domestic partner benefits is taxable income to the employee. To arrive at the actual cost of this benefit, the CSU examined the premium structure for health, vision, and dental benefits. For health and dental, CSU has the following structure:

- Employee only
- Employee plus one dependent
- Employee plus two or more dependents

For these two benefits, the taxable income of the domestic partner benefit will be the cost difference between the employee only and the employee plus one dependent premium rate. This approach recognizes the value of adding one dependent, using a single employee as the base line. The State Controller's Office will use a flat tax rate of 25% Federal, 6.2% Social Security, and 1.45% Medicare to withhold taxes on the value of the benefits.

NOTE: Employees who claim their Domestic Partners as tax dependents are not subject to the imputed tax liability.

For vision, the cost is a flat rate regardless of the number of dependents. Adding domestic partners to the program will have a negligible impact on the premium. As a result, there is no taxable income to you for adding a domestic partner to your vision insurance plan.

In order to eliminate the imputed tax liability, you must notify the Benefits Office and provide appropriate tax documents verifying that your domestic partner is your tax dependent.

We hope you find this information helpful. If you have any questions, please contact Mary Ford, Benefits Manager, at (916) 278-6213 or 8-6213.