

Imputed Income Tax Reporting for Domestic Partner and Same Sex Spouse Health Benefits

Imputed income for same sex spouse and domestic partner health benefits is now a separate line item on employee paychecks. This makes it easier to track domestic partner/same sex spouse imputed income for tax purposes.

Domestic Partner/Same Sex Spouse Health Benefits and Federal Taxes

Health coverage for a domestic partner, same sex spouse, and children of that partner or spouse through a Health Service System (HSS) health plan is typically a taxable benefit. The federal government does not recognize domestic partnership or same sex marriage for tax purposes. So employer contributions to health premiums for an employee or retiree's domestic partner, same sex spouse, and children of a domestic partner or same sex spouse, are usually treated as taxable, imputed income. (Note: Per IRS section 152, benefits for a domestic partner of either gender, a same sex spouse, and children of a domestic partner or same sex spouse may qualify for more favorable federal tax treatment if these individuals meet certain conditions.)

California State Equitable Tax Treatment

Even if you accrue imputed income for federal tax purposes, you may be able to take advantage of equitable California state income tax treatment for same sex domestic partner and same sex spouse health

benefits. If eligible, you will need to deduct the value of the imputed income related to health benefits for a same sex domestic partner, same sex spouse, and/or his or her children, when filing your California state income tax return.

Consult Your Tax Advisor

You should discuss your situation with a professional tax advisor before deciding how to treat imputed income when filing federal and state income taxes. You are subject to state and federal tax law and are responsible for any decisions you make about how imputed income is reported on your federal and state tax returns. More information is available online:

San Francisco Health Service System

myhss.org/member_services/imputedincome.html

State of California Franchise Tax Board

ftb.ca.gov/individuals/faq/dompart.shtml

If you have questions about your health benefits, or the amount of imputed income reported on your paystub, contact HSS Member Services at (415) 554-1750.

Sample Pay Notice Detail

The detail below illustrates how imputed income resulting from health benefits for domestic partners, same sex spouses and their children will be reported on paper paystubs, beginning with the January 4, 2011 paychecks. The numbers displayed are for sample purposes only.

DESCRIPTION	CURRENT	YEAR-TO-DATE
REGULAR	1930.56	1930.56
ADMIN LV		
LEGL HOL		
OTHER HOL		
IMPUHILT	240.85	240.85
VACATION		
SICK PAY		

This line item lists imputed income resulting from health benefits that are taxable per federal IRS regulations.