


# Benefits Overview

## Who is Eligible




Certain Employees and Retirees are eligible for coverage. Refer to the charts on the following pages to determine if you are eligible for benefits from the State of Maryland and the cost to you. **If you are eligible**, you may also cover your eligible dependents for certain benefits.

## Same Sex Domestic Partner

 **NEW! Same sex domestic partners and the partner's child(ren) are eligible for coverage effective July 1, 2009.** Please note, because the IRS does not recognize domestic partners and their children as eligible dependents, the value of coverage attributable to your domestic partner and/or the partner's child(ren) is included as income in each pay check and subject to applicable taxes. Additionally, the portion of your premium attributable to the coverage for your same sex partner and/or your partner's child(ren) must be taken post-tax. For details, please see the Same Sex Domestic Partners Frequently Asked Questions included in your enrollment packet.

**NOTE: The effective date for same sex domestic partners and the partner's child(ren) is subject to the date the regulations to include them as eligible dependents are adopted. Coverage could be delayed to a date after July 1, 2009. We will notify you if this occurs.**

## Important Information About Covering Your Same Sex Domestic Partner and Your Partner's Child(ren)

-  **How Your Taxes May Be Affected** – Internal Revenue Service (IRS) regulations require different tax treatment for group insurance costs associated with health benefits for qualified domestic partners and eligible domestic partner's dependents. In most cases, the IRS does not qualify domestic partners and domestic partner's dependents under the dependent tax code. Therefore, health benefits for domestic partners and their eligible dependents who are not qualified as a dependent under the IRS tax code will be taxed as outlined below:
-  **Payroll Deduction** – For each group health insurance plan where there is an employee contribution and a State subsidy in which you enroll your domestic partner and your partner's eligible dependents, you will pay a:
  - Post-tax deduction for the coverage level for the domestic partner (and/or domestic partner's child(ren)); and
  - Pre-tax deduction for the coverage level applicable to the employee adding the domestic partner [and/or domestic partner's child(ren)] minus the amount of the post-tax deduction.
-  **Imputed Income** – For each group health insurance plan where there is an employee contribution and State subsidy in which you enroll your domestic partner and your domestic partner's eligible dependents, you are subject to tax withholding on the State's contribution towards the coverage for those dependents not qualified as tax dependents under the IRS code. In other words, the State's contribution towards coverage for your domestic partner and your domestic partner's dependents is considered wages and is included in your taxable gross income subject to tax with holdings. This is known as **imputed income**.

**Example #1:** You have **Employee + Domestic Partner – Aetna POS** coverage.

- To begin the calculation you first need the Fair Market Value (FMV) of the coverage for just the **Domestic Partner**. In this example, the FMV equals the total cost (employee plus state contributions) for **Employee Only** coverage, which is \$362.85 per month.
- Next we move to the post-tax deduction. This is equal to the employee monthly contribution for **Employee Only** coverage, which is \$61.68.
- Then we calculate the pre-tax deduction by subtracting the employee contribution for **Employee Only**, \$61.68, from the employee monthly contribution for **Employee + One** coverage, \$111.03. The result is \$49.35. This is the monthly pre-tax deduction.
- Last, the imputed income is equal to FMV minus the post-tax deduction;  $\$362.85 - 61.68 = \$301.17$ .

	Monthly	Bi-Weekly
Post-tax	\$61.68	\$30.84
Pre-tax	\$49.35	\$24.68
Imputed Income	\$301.17	\$150.59

**Example #2:** You have **Employee + Family PLUS Domestic Partner + Domestic Partner’s Children – Aetna POS** coverage. (In this example, note what happens to the pre-tax deduction.)

- Fair Market Value of **Domestic Partner + Domestic Partner’s Children** equals \$907.07.
- Post-tax deduction equals \$154.20.
- **Pre-tax deduction equals \$0 because the calculation is the employee contribution for Family coverage (\$154.20) subtracted from the employee contribution for Family coverage (\$154.20).**
- The imputed income is equal to FMV minus the post-tax deduction;  $\$907.07 - 154.20 = \$752.87$ .

	Monthly	Bi-Weekly
Post-tax	\$154.20	\$77.10
Pre-tax	\$0	\$0
Imputed Income	\$752.87	\$376.44

**Dependent Child to Age 25**

- ☀ You can cover any unmarried eligible dependent child through the end of the month in which they turn age 25. The dependent child must be younger than the individual claiming him/her as a tax dependent. Your dependent child does not need to be a student or disabled to be covered up to age 25 so long as the child meets the tax requirements. Disability certification is required to cover children beyond age 25.
  - The dependent child must still be eligible for tax-favored benefits coverage for you to add him/her to your coverage. This means that your dependent child must be either a “qualifying child” or a “qualifying relative” as those terms are used by the IRS, explained on page 8 and on the Dependent Tax Affidavit available from the Employee Benefits Division.
- ☀ **Required Dependent Documentation:** You do not need to provide any documentation during Open Enrollment. After Open Enrollment ends, you will be contacted to provide the required documentation. See pages 14-15 for the required dependent documentation.
  - After Open Enrollment ends, Active Employees will receive written correspondence from their Agency Benefits Coordinator indicating the required dependent documentation needed and the deadline for submitting it.
  - After Open Enrollment ends, Retirees and Direct-Pay enrollees will receive a letter mailed to their home address from the Employee Benefits Division indicating the required dependent documentation needed and the deadline.
  - If you do not provide the required dependent documentation by the deadline, any dependent(s) added during Open Enrollment will be removed from your coverage back to July 1, 2009.
- ☀ **Disabled Eligible Dependent Child:** You are not required to provide Disability Certification until the child reaches age 25. You will then be required to provide continued certification of his/her disability status every two years in order to keep him/her on your coverage.