
DOMESTIC PARTNER / IMPUTED INCOME IMPORTANT INFORMATION

Thinking of enrolling your domestic partner and/or their children under your OEBB insurance? Read this information first to make sure you understand the implications, specifically the taxes you will be required to pay.

Covering your domestic partner is viewed as a high value benefit to the point the IRS taxes you on it, so you are guaranteed to have out of pocket expenses. The District's contribution toward the coverage of a domestic partner is referred to as "**imputed income**." This "imputed income" is then taxed and viewed as a payroll deduction that you pay.

Imputed income applies even if you do not pay anything out of pocket to maintain Clackamas ESD insurance coverage. The amount of your imputed income, and subsequently the taxes you will pay, depends on the insurance plan you select and the level of coverage.

Background

The term Domestic Partner can refer to registered Domestic Partners recognized by state law and confirmed by registration with the state, as well as Domestic Partners that are simply recognized in an employer's plan eligibility provisions and usually confirmed by employee affidavit. Same sex spouses are now legally recognized under Federal and State law and are different from Domestic Partners. A Domestic Partner, state recognized or not, may qualify as a federal tax dependent, specifically a "qualifying relative." A Domestic Partner who qualifies as a tax dependent should complete an [OEBB verifying affidavit](#). Domestic Partnerships that were converted to marriages will not require imputed income under Federal or State law but any unrecognized partnerships that were not converted to marriages will generally require that the Fair Market Value of group health plan benefits be imputed as income.

Domestic Partner Requirements

1. Both are at least 18 years of age;
2. Are responsible for each other's welfare and are each other's sole domestic partner;
3. Are not married to anyone and either has not had a spouse or another domestic partner within the prior six months (if previously married, the six month period starts on the final date of divorce);
4. Share a close personal relationship and are not related by blood closer than would bar marriage in the State of Oregon;
5. Have jointly shared the same regular and permanent residence for at least six months; and
6. Are jointly financially responsible for basic living expenses defined as the cost of food, shelter, and any other expenses of maintaining a household (financial information must be provided if requested).

An Affidavit of Domestic Partnership is NOT required if domestic partnership is documented through a Registered Certificate.

Employers must calculate and apply applicable imputed value tax for domestic partners covered under OEBB benefit plans.



Imputing Income to determine applicable imputed value tax

To determine the total imputed tax value of a domestic partner, we must reference the [OEBS Rates Sheet](#) (see "[Imputed Tax Values for Domestic Partner Coverage](#)" rate sheet file).

The estimated tax calculation, using the incremental cost method, is as follows:

1. Find cost of domestic partner premium coverage. Add applicable premiums (medical, dental, vision, as applicable) together.
2. Multiply line 1 by 12*
3. Multiply line 2 by federal income tax rate (e.g. 24% or other – see federal income tax brackets)
4. Multiply line 2 by Oregon state income tax rate (see state income tax brackets)
5. Multiply line 2 by 7.65% (FICA tax rate as of February 2019)
6. Add lines 3 (federal taxes), 4 (state taxes) and 5 (FICA tax) together to determine total estimated taxes you must pay on the imputed income
7. Divide line 6 by 12
8. Line 7 reflects approximate monthly amount* owed to maintain domestic partner coverage

* Premium amounts will vary throughout the year due to plan premiums changing mid-year from open enrollment.

EXAMPLE

Jane Doe is enrolling her domestic partner, Alex Smith, on her medical plan only – Moda Birch Connexus. Using the OEBS rate sheet, Jane Doe sees the rate for this plan is \$769 per month. *Figures rounded for example purposes.*

1. Premium for domestic partner only in 2018-19 medical only, Moda Birch Connexus = \$769
2. (\$769) multiplied by 12 months = \$9,228
3. (\$9,228) multiplied by 24% percent = \$2,215
4. (\$9,228) multiplied by 9% percent = \$830
5. (\$9,228) multiplied by 7.65% FICA tax rate in 2019 = \$706
6. (\$2,215) Line 3 + (\$830) Line 4 + (\$706) Line 5 = \$3,751
7. (\$3,751) Divided by 12 months of coverage = \$312
8. Jane Doe will pay approximately \$312 per month, after tax, to have her domestic partner Adam Smith covered under her medical insurance plan (October – September)

DISCLAIMER:

Clackamas Education Service District and its Human Resources/Fiscal Departments are not providing you with tax advice nor are they responsible for attempting to evaluate your particular situation. You are urged to consult your own tax advisor(s) concerning the federal and state income tax and employment tax ramifications from your enrolling your domestic partner and/or your partner's children in one of the District's sponsored insurance plans.