



**Example 2.** Imputed income for Partner coverage and coverage for one or more dependents (of the Partner) who don't qualify as the employee's dependent(s):

- **Employee and D/P + One Dependent:**  $\$360 \text{ (D/P)} + \$240 \text{ (dep)} = \$600$
- **Employee and D/P + Two Dependents:**  $\$360 \text{ (D/P)} + \$480 = \$840$
- **Employee and D/P + Three Dependents (etc.):**  $\$360 \text{ (D/P)} + \$720 = \$1,080$

It is important to note that each dependent child has coverage in his/her own right with a fair market value (\$240 in our example) for each dependent. As a result, in a three rate structure scenario, the income to be imputed to the employee is not limited by the employer premium amount for family coverage.

#### Four Rate Structure (Monthly Insured Rates)

Employee Only	•\$365
Employee Plus Spouse	•\$725
Employee Plus Child	•\$700
Employee Plus Family	•\$965

**Example 1.** Monthly imputed income amount for Partner coverage:

- **Most Common:**  $\$725 - \$365 = \$360$  (spouse portion)
- **Some:**  $\$365$  (employee only portion)

**Example 2.** Monthly imputed income for Partner coverage and coverage for one or more dependents (of the Partner) who don't qualify as the employee's dependent(s):

- **Employee + One Dependent:**  $\$360 \text{ (D/P)} + \$335 \text{ (dep)} = \$695$
- **Employee + Two Dependents:**  $\$360 + \$670 = \$1,030$
- **Employee + Three Dependents (etc.):**  $\$360 + \$1,005 = \$1,365$

**ADDITIONAL RULES**

1. You must impute income for all benefits (medical, dental, vision, dependent life, etc.) provided by the employer to the Partner or his/her dependents.
2. You may offset the amount of imputed income by the employee's after-tax contribution for the Partner's coverage.

**Assumption**

<b>Employee Only</b> <ul style="list-style-type: none"><li>•Contribution: \$50</li><li>•Premium: \$365</li></ul>
<b>Employee Plus Spouse Coverage</b> <ul style="list-style-type: none"><li>•Contribution: \$110</li><li>•Premium: \$360</li></ul>
<b>Employee Plus Family Coverage</b> <ul style="list-style-type: none"><li>•Contribution: \$180</li><li>•Premium: \$240 (per child)</li></ul>

**Example 1.** Employee makes \$50 pre-tax contribution (employee-only coverage) and \$110 for spousal coverage on an after-tax basis.

• <b>Gross imputed income:</b>	\$360 (Employee Plus D/P)
• <b><u>Contributions on an after-tax basis:</u></b>	<u>- 110</u>
• <b>Net imputed income:</b>	\$250

**Example 2.** Employee makes \$50 pre-tax contribution (employee-only coverage) and \$130 additional for full family coverage.

• <b>Number of Child(ren):</b>	<b><u>Plus One</u></b>	<b><u>Plus Two</u></b>	<b><u>Plus Three</u></b>
○ <b>Gross imputed income:</b>	\$600	\$840	\$1,080
○ <b><u>Contributions on an After-tax basis:</u></b>	<u>- 130</u>	<u>- 130</u>	<u>- 130</u>
○ <b>Net imputed income:</b>	\$470	\$710	\$950

3. If the Partner qualifies as a dependent (under IRC Section 152) of the employee, there is no imputed income for purposes of federal law, for the Partner.

4. If the plan is self funded, you may use the COBRA rate for single coverage (minus 2%) to determine the fair market value of coverage for the Partner and the differential between the family COBRA rate and the employee plus spouse rate (minus 2%) to determine the value of each child's coverage.
5. If the plan uses a super grand composite rate and is insured, then use the COBRA rates as described in Rule #4 above.
6. We recommend that you include the imputed income amount in each paycheck to permit proper withholding and reporting income for tax purposes. The imputed income is earned at the time the coverage is provided. Failure to do so may result in your underreporting income, under withholding FIT, FICA, and FUTA on your periodic payroll tax reports.
7. California state law treats coverage for domestic partners who are Registered Domestic Partners as non-taxable. This rule does not apply to same-sex marriage partners. Tax treatment for coverage of dependent children follow federal rules.
8. Please refer to other sources for income tax rules for other state or local laws for the tax treatment of domestic partner or same-sex marriage partner coverage.

The purpose of this calculator is to summarize the general rules for calculating imputed income. It is not intended as legal or tax advice and may not be used as such. You are to rely on the advice of your own tax advisor in this matter.

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