Tax Treatment – Domestic Partner

The tax rules that govern the tax treatment of health coverage for domestic partners are complex. This document outlines many of these rules; however, employees should consult with their tax advisors to determine the appropriate tax treatment.

DOMESTIC PARTNERS

For both federal and Wisconsin tax purposes, an employee's same-sex domestic partner is entitled to tax-free treatment of his or her health coverage under the Marquette University group health plan (Medical/Rx, Dental, and/or Vision) for a calendar year if he or she is a "qualifying relative." To be a "qualifying relative" entitled to tax-free health coverage, an employee's same-sex domestic partner must meet each of the following four requirements:

1. He or she lives with the employee as a member of the employee's household (i.e., shares a principal residence) for the full calendar year, except for temporary reasons such as vacation, military service, or education;
2. He or she is a citizen, national or legal resident of the United States or a resident of a contiguous country;
3. He or she is not anyone's section 152 qualifying child dependent; and
4. He or she receives more than half of his or her financial support from the employee.

In addition, if an employee can claim a federal tax exemption for the employee's domestic partner on the employee's tax return, then the domestic partner is eligible for tax-favored health coverage. However, even if an employee cannot claim a federal tax exemption for the employee's domestic partner on the employee's tax return, the domestic partner may still be eligible for tax-favored health coverage under the test described above.

CHILDREN OF DOMESTIC PARTNERS

For both federal and Wisconsin tax purposes, the child of an employee's same-sex domestic partner may be entitled to tax-free treatment of his or her health coverage under the Marquette University group health plan (Medical/Rx, Dental, and/or Vision) for a calendar year if he or she is (i) the employee's child who is 25 or younger on December 31, (ii) is a "qualifying child" who is disabled or (iii) is a "qualifying relative." As a practical matter, the child of an employee's same-sex domestic partner will rarely fit in these categories.

Employee's Child Age 25 or Younger on December 31
To receive tax-free coverage as the employee's "child" age 25 or younger, the child should be the employee's son, daughter, stepson, stepdaughter, adopted child, or foster child placed with the employee by an authorized placement agency or by judgment, decree, or other order by any court of competent jurisdiction, and must be age 25 or younger on December 31.

Qualifying (Disabled) Child
If the child of an employee's same-sex domestic partner would be able to receive tax-free coverage as the employee's child *but for* the child's age (i.e., the child is age 26 or older on December 31) under the test described above, the child may still receive tax-free coverage as a "qualifying child" if the child meets each of the following four requirements:

1. The child is the employee's son, daughter, stepson, stepdaughter, adopted child, or foster child placed with the employee by an authorized placement agency or by judgment, decree, or other order by any court of competent jurisdiction;

2. The child is incapable of self-support because he or she is permanently and totally disabled;
3. The child has the same principal place of abode as the employee for more than one-half of the calendar year [SPECIAL NOTE: A child's absences from the employee's residence due to education, military service, illness, a custody agreement and vacations are not counted for this purpose.];
4. The child has not provided over one-half of his or her own support for the calendar year.

Qualifying Relative

To be a "qualifying relative," the child of an employee's same-sex domestic partner must meet each of the following four requirements:

1. He or she lives with the employee as a member of the employee's household (i.e., shares a principal residence) for the full calendar year, except for temporary reasons such as vacation, military service, or education;
2. He or she is a citizen, national or legal resident of the United States or a resident of a contiguous country (this requirement doesn't apply to children being adopted by a U.S. citizen or national);
3. He or she is not anyone's section 152 qualifying child dependent;
4. He or she receives more than half of his or her financial support from the employee.

In addition, if an employee can claim a federal tax exemption for the child of the employee's same-sex domestic partner on the employee's tax return, then the child is eligible for tax-favored health coverage.

During 2014, if your same-sex domestic partner is not a legal spouse or a "qualifying relative" or if the child of your same- sex domestic partner does not satisfy any of the three criteria described above, then coverage provided to your partner and/or their child under the Marquette University health plan will be taxable for both federal and Wisconsin income tax purposes. This means that you will be required to pay income taxes, as applicable, on the fair market value of the coverage provided to your partner and/or their child. You will not receive any additional actual pay, but your tax liability will increase. Marquette University will withhold the additional income taxes associated with the fair market value of the coverage provided to your partner and/or their child on a per pay period basis.

Fair Market Values:

Plan	**Taxable Amount w/HRA Rate**	**Taxable Amount non-HRA Rate**
EPO Plan	$570.00*	$585.00*
PPO Plan	$534.00*	$544.00*
HDHP Plan	$419.00*	$421.00*
Dental Plan	$45.00*	$45.00*
Vision Plan	$7.00*	$7.00*

* Includes both the employee and employer premium contribution