



GORDON
COLLEGE

Dependent Health Certification - Explanation

The 2006 Massachusetts Health Care Reform Act expanded the definition of “dependent” coverage to include dependent children beyond age 19 up to two full calendar years after the last year they were listed as a dependent on the subscriber’s federal tax filing – but to a maximum of age 26. (This goes well beyond the Federal/IRS allowed maximum of covering a student to age 24 for tax avoidance).

This expanded definition was incorporated into the **state** tax apparatus so there is no tax consequence regarding the value of expanded dependent Medical coverage **HOWEVER** this DOESN’T carry over to Federal Tax and also DOESN’T apply to Dental Insurance.

For Federal Income and FICA tax purposes, the value of a fringe benefit to a non-qualified dependent is considered “**IMPUTED INCOME**” and is taxable. This value is the full individual coverage rate for that benefit. (Pretax employee contributions are treated as employer contributions and can’t be used as an offset). The 2010 values would be:

Individual Medical (per non-qualified dependent) - \$488.16/mo or **\$5,857.92/yr**

Individual Dental (per non-qualified dependent) - \$ 35.98/mo or **\$ 431.76/yr**

These values would be added to gross wages on a per pay basis and the annual total would show on the W-2 for the year.

Federal Tax Law does **not** require imputed values on medical or dental benefits for a “dependent” defined in Section 152 as a “Qualifying Child” **or** “Qualifying Relative”.

A “**Qualifying Child**” is a child living with the employee for more than half the year and is under age 19 or a full-time student under age 24 who does not provide over half of his or her own support for the calendar year.

A “**Qualifying Relative**” is an individual who bears a relationship to the taxpayer (including child), who receives over one-half of his or her support from the taxpayer. (No age restriction)

To properly handle the taxability of the value of coverage on your dependent(s) in the Gordon College group family health and or dental coverage in 2010, we need to have you complete the certification form on the attached page and return it to Human Resource, attention Jim Graham, no later than December 19, 2009. Failure to do so could lead to an assumed tax liability. .

Note: Even if you are required to have Imputed Wages, the actual tax cost to you will still be a tremendous savings versus the need to purchase this coverage independently.

Example – Typical non-group individual medical and dental insurance for someone age 20-26 with a similar level of coverage would cost approximately \$7,500/yr, while the “tax” cost of keeping them on Gordon’s plans would be about \$1,135/yr (assuming 10% Federal Tax and 7.65% FICA) – a savings of \$6,365!



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Dependent Certification Form – 2010 (For Those Age 19-26 in Year)

EMPLOYEE: _____ DEPARTMENT _____

[Check one if applicable in 2010] Most Recent Tax Year

Table with 5 columns: Dependent(s), DOB, Qualifying Child, Qualifying Relative, Claimed as Dependent on Fed Tax Return. Includes rows for data entry and a 'Notes' section.

I certify that the checked Status of the Dependent(s) listed above, the most recent year claimed as a dependent for tax purposes, and any notes, are true and correct for 2010.

Signature _____ Date _____

DEFINITIONS:

Qualifying Child: is a child living with the employee for more than half the year and is under age 19, or a full-time student (at least 5 months of the year) and under age 24, who does not provide over half of his or her own support for the calendar year.

Qualifying Relative: is an individual who bears a relationship to the taxpayer (including child), who receives over one-half of his or her support from the taxpayer. (No age or residence restriction)

If your dependent(s), or former dependent(s) currently covered by Gordon's group medical and/or dental plan, are not going to be a Qualifying Child or Qualifying Relative in 2010, the cost of his or her coverage will be considered a taxable benefit. The value of individual coverage for this dependent will be added to your gross pay and taxes taken accordingly for Federal Tax purposes. For State taxes, you will only be taxed on the dental coverage cost (if covered) and not the medical insurance cost, as long as they are under age 26 and were claimed as an exemption on your 2008 tax return.