

Domestic Partner Benefits

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IRS ruled that domestic partners are not eligible for the same favorable tax treatment accorded to spouses and dependents as defined in the Tax Code; though registered domestic partnerships in California are eligible. The ruling specified that medical expenses or premiums *paid by an employer* for a domestic partner and dependents of the domestic partner are to be included in the taxable wages of the employee and are subject to Social Security and Medicare tax.

<https://www.ftb.ca.gov/forms/2020/2020-737-publication.pdf>

Therefore the value of this benefit would be included as taxable income and reported on the W-2 in Box 1 (W-2 Federal), Box 3/5 (Social Security/Medicare Gross), and Box 16 (State).

The taxable amount is the fair market value of the domestic partner's coverage over the amount paid for the employee's own coverage. For help on how to calculate, contact your insurer or legal counsel.

W-2 Reportable Entry

Verify how your district has Domestic Partner benefits set-up in HCM as it will determine if you need to manually enter in a W-2 reportable on the employees paysheet-payline or if no action is needed. If you are unsure of the set-up please contact PeopleSoft Support.

Domestic Partner Benefits - Employer Deduction Class not T (Taxable Benefit)

Enter in any taxable W-2 reportable amount on the employee's paysheet-payline using earnings code WDP Taxable Domestic Partner. The amount entered will be added to the employee's Federal, State, Social Security and/or Medicare Taxable wages and withhold taxes.

Registered Domestic Partner Benefits

A domestic partnership is established in California when both persons file a Declaration of Domestic Partnership with the California Secretary of State. On July 30, 2019, California passed SB 30 which changed the requirements that individuals be of the same sex or of the opposite sex and over the age of 62 in order to enter a registered domestic partnership.

California Taxes for Registered Domestic Partners

California affords the same rights to registered domestic partners as to married individuals. Any amounts spent on domestic partner healthcare is exempt from California taxes under Revenue and Taxation Code section 17021.7.

Unregistered domestic partners are not afforded the same benefits as spouses under California law. Employees who cover their unregistered domestic partner on their employer plan must pay state and federal taxes on the cost of the health care coverage for their domestic partner.

Federal Taxation for Registered Domestic Partners

For federal income tax purposes the benefits provided are taxable because registered domestic partners are not considered the employee's spouse. Therefore, health benefits are not available on a pre-tax basis unless the domestic partner is a "tax dependent" under federal law. An employee who covers their domestic partner on their employer-sponsored health coverage must pay federal taxes on the cost of the health care premiums paid to cover their domestic partner.