



Domestic Partner Benefits

Tax Implications and Information

2025 Employee Notice

Please Note: Employees are encouraged to seek professional tax assistance.

Under the terms of the Vermont School Employees' Health Commission Arbitrator's Award, eligible employees can extend their health benefits to domestic partners and their dependents. Those who cover domestic partners will be charged the same rates and have the same plan choices as those in place for spousal and dependent coverage.

Although employees who cover domestic partners will be charged the same applicable contribution rates, the IRS requires that some of these contributions be made on a post-tax basis; in addition, employees must pay federal and FICA taxes on the value of the benefits provided to domestic partners (known as **imputed income**). Employees are encouraged to seek professional tax assistance.

After Tax Deduction

LNSU follows guidance of the IRS in determining taxation of benefits. Employee contributions towards the cost of the domestic partner coverage will be made on an after-tax basis. The W-2 form issued at the end of this tax year will show only the amount of your premium for the portion of your coverage paid on a pre-tax basis.

Imputed Income

Imputed income is the estimated value of the employer's financial contribution towards health insurance coverage for domestic partners and must be reported as taxable income. You are advised to consult with your own tax advisor to better understand the tax implications based on your individual circumstance.

Illustrations (based on a licensed employee):

Health Insurance Premiums

	Monthly Premium	ER Share (80% Gold CDHP)	EE Share
Single	\$1,099.51	\$879.61	\$219.90
Two Person	\$2,064.93	\$1,651.94	\$412.99

After Tax Deduction Calculation:

EE Share Two Person	\$412.99
EE Share Single	-\$219.90
	\$193.09

Pre-Tax Deduction	\$219.90
Post-Tax Deduction	\$193.09

Imputed Income Calculation:

ER Share Two Person	\$1,651.94
ER Share Single	-\$879.61
	\$772.33

Monthly Imputed Income (added to taxable wages)	\$772.33
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Health Reimbursement Arrangement (HRA) Contributions

The Health Reimbursement Arrangement has been revised to include coverage of domestic partners consistent with the Vermont School Employee Health Commission Arbitrator's Award. Any additional benefit provided by the district based on the enrollment of a domestic partner will be reported as imputed income.

The District will contribute \$4,000 (licensed positions) or \$4,400 (non-licensed positions) to the employee's HRA if the employee is enrolled in a two-person or family plan. The employee shall see imputed income for the difference between the single plan and the two-person or family plan in the amount of \$1,900 (licensed) or \$2,200 (non-licensed) which will be processed via payroll as taxable income, as well as an offsetting deduction, over the remainder of the paychecks in the calendar year.

Health Savings Account (HSA) Contributions

Please note this option is only available to employees enrolled in the VEHI Silver CDHP plan.

If you enroll your domestic partner in the VEHI CDHP Silver plan with an HSA for two person coverage, you can contribute up to \$8,300 in calendar year 2024, which includes the District's contribution, to your HSA. Your domestic partner can also contribute up to \$8,300 on an after-tax basis by establishing an "unaffiliated account" with a financial institution. Domestic partners cannot submit expenses to the employee's HSA account, unless the domestic partner is considered a tax dependent as determined by the IRS. (Seek professional advice regarding a domestic partner as tax dependent.) The eligible contribution limits may be adjusted annually based on IRS regulation.

Two-person coverage with a domestic partner:

The District will contribute \$1,900 (licensed positions) or \$2,200 (non-licensed positions) to the employee's HSA if the employee is enrolled in a two-person plan. The employee shall receive a one-time taxable payment of an additional \$1,900 (licensed) or \$2,200 (non-licensed) for the purposes of establishing an HSA for the domestic partner. The employee is responsible for setting up the HSA account for the domestic partner with a financial institution. The District is not liable to the Domestic Partner for any direct payments.

Family coverage with a domestic partner:

The District will contribute \$1,900 (licensed positions) or \$2,200 (non-licensed positions) to the employee's HSA if the employee is enrolled in a family plan which is providing coverage to his/her [tax] dependent children, as defined by the IRS. The employee may have the option of receiving an additional contribution of \$1,900 (licensed) or \$2,200 (non-licensed) to the employee's HSA or a one-time taxable payment of an additional \$1,900 (licensed) or \$2,200 (non-licensed) for the purposes of establishing an HSA for the domestic partner. The employee is responsible for setting up the HSA account for the domestic partner with a financial institution. The District is not liable to the Domestic Partner for any direct payments.

DISCLAIMER: The District and its Human Resources/Finance 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 ramification from your enrolling your domestic partner and/or your partner's children in one of the District's sponsored insurance plans.