



# ANNE ARUNDEL COUNTY PUBLIC SCHOOLS

## **SAME-SEX SPOUSE BENEFITS – Frequently Asked Questions**

Effective July 1, 2011, Anne Arundel County Public Schools (AACPS) offers same-sex spouses and their dependents the opportunity to enroll in the AACPS healthcare plans.

Below are some frequently asked questions about eligibility, enrollment, and tax implications.

### **1. UNDER WHICH GROUP INSURANCE PLANS MAY I ENROLL MY SAME-SEX SPOUSE AND MY SPOUSE'S ELIGIBLE DEPENDENTS?**

You may enroll your same-sex spouse and your spouse's eligible dependents in your medical plan (including prescription plan), your dental plan, and your vision plan.

### **2. WHAT EVIDENCE IS REQUIRED FOR SAME-SEX SPOUSE COVERAGE?**

As with any employee who wants to add a spouse to healthcare coverage, you must provide a copy of your state-issued Marriage certificate.

### **3. WHO QUALIFIES AS AN "ELIGIBLE DEPENDENT" OF MY SAME-SEX SPOUSE FOR GROUP INSURANCE PURPOSES?**

The following dependents of your same-sex spouse are eligible dependents for group insurance purposes (proof of birth is required):

- the children of your same-sex spouse up to age 26.
- a disabled child of your same-sex spouse, if the child becomes physically or mentally disabled while covered and the total disability begins prior to age 26. Proof of continuing disability may be required by the carrier

The term "children" includes:

- natural children
- legally adopted children or children placed with you for adoption

More detail about eligibility can be found in the Employee Benefits Guide.

### **4. HOW DO I ENROLL MY SAME-SEX SPOUSE AND MY SPOUSE'S ELIGIBLE DEPENDENTS IN MY GROUP INSURANCE PLANS?**

To enroll your same-sex spouse and your spouse's eligible dependents:

- Enroll on Benelogic during open enrollment and submit a copy of the marriage certificate to HR/Benefits, or

- Enroll within 31 days of a marriage – Submit a Lifestyle Change Form to HR/Benefits (see FORMS on the AACPS HR webpage/Benefits) and copy of the marriage certificate to HR/Benefits.

## 5. WHAT WILL IT COST ME TO COVER MY SAME-SEX SPOUSE?

If you cover yourself and your spouse you will pay the rate for Employee & Spouse as published in the AACPS Employee Benefits Guide.

If you cover yourself, your spouse and your spouse’s eligible dependents you will pay the rate for Family coverage as published in the AACPS Employee Benefits Guide.

## 6. HOW DOES THE ADDITION OF MY SAME-SEX SPOUSE AND MY SPOUSE’S ELIGIBLE DEPENDENTS TO MY EMPLOYEE BENEFIT PLAN AFFECT MY TAX SITUATION?

Internal Revenue Service regulations require different tax treatment for group insurance costs associated with same-sex spouse coverage in cases where the same-sex spouse does not qualify as a tax dependent under the IRS Code (in determining the tax effect of spouse coverage, AACPS will assume that neither your same-sex spouse nor your spouse’s eligible dependents qualify as tax dependents, unless you are able to provide the necessary attestation).

Note, under current tax law, reimbursements cannot be made from your Health Care Flexible Spending Account of expenses incurred by your same-sex spouse or your spouse’s eligible dependents if they are not your legal tax dependents. The same is true for the Dependent Care Flexible Spending Account (in addition to other qualifying requirements that apply).

## 7. IMPUTED INCOME

If you cover dependents that do not qualify as tax dependents under the IRS Code, the value of AACPS’s contribution toward that coverage is considered wages, subject to tax withholding. This is known as imputed income.

The imputed income is the difference between what the Board pays on your behalf for Individual coverage and what the Board pays for Employee & Spouse coverage.

For example, below is a table showing the 2012 costs and employee rates for HMO coverage.

Plan Option	Total Monthly Premium	Board's Monthly Share	Bi-weekly payroll deduction	
			Tier 1 26 pays	Tier 1 22 pays
Individual	\$432.61	\$410.98	\$9.98	\$11.80
Parent & Child	\$676.10	\$642.30	\$15.60	\$18.44
Employee & Spouse	\$1,041.87	\$989.78	\$24.04	\$28.41
Family	\$1,249.62	\$1,187.14	\$28.84	\$34.08

Below is a table that illustrates the calculation of the imputed income for the coverage that includes a same-sex spouse.

Plan Option	Monthly Imputed Income	Annual Imputed Income	Tier 1 26 Pays - Imputed income per pay	Tier 1 22 Pays - Imputed income per pay
Employee & Spouse Or Family	\$578.80	\$6,945.60	\$267.14	\$315.71

In the example above, an employee with Individual coverage marries and enrolls the same-sex spouse. The coverage changes to Employee & Spouse. The Board funds Individual employees at \$410.98/month. The Board funds Employee & Spouse at \$989.78/month. Therefore, the imputed income is the difference between \$989.87 and \$410.98 or \$578.80/month. The amount charged to income per pay is based on the employee’s pay plan. If receiving 26 pays per year the charge to income would be \$267.14 per pay.

Enrollment in dental and vision coverage would be treated similarly.

The charge to income increases taxable income which results in an increase to the federal and state tax deducted from the biweekly pay as well as the Social Security and Medicare taxes. Therefore the biweekly pay is reduced.

You are encouraged to consult your tax advisor about the impact of imputed income on your overall tax planning.

**8. HOW DO I PROVE THAT MY SAME-SEX SPOUSE IS A TAX DEPENDENT?**

If your same-sex spouse qualifies as a dependent under §152 (d)(1)(A) and (C) you may sign an attestation to that fact and you will not be subject to imputed income.

A same-sex spouse may qualify as a dependent under IRC §152 (d)(1)(A) and (C) if:

1. The same-sex spouse receives more than half of his/her support from the employee taxpayer for the entire taxable year, and
2. The same-sex spouse has as his/her principal place of abode the home of the employee taxpayer and is a member of the employee taxpayer’s household for the entire taxable year, and
3. The relationship is not in violation of local law at any time during the taxable year, pursuant to IRC §152 (f)(3) .

AACPS will require a signed attestation annually in order to continue an exemption of the imputed income.

**9. WHAT IF MY SAME-SEX MARRIAGE ENDS?**

Should your marriage with your same-sex spouse end, the same-sex spouse and the spouse’s eligible dependents are no longer eligible for coverage under AACPS’ Employee Benefit plans. You must notify AACPS within 31 days of a divorce or death.

In such case, benefits will terminate or continue for the same-sex spouse and the spouse’s eligible dependents as they would for a former spouse under similar circumstances (such as a divorce). For example, the same-sex spouse and the partner’s eligible dependents may be able to continue their health coverage under COBRA.