

## **SUMMARY OF TAX TREATMENT OF HEALTH COVERAGE PROVIDED FOR SAME-SEX DOMESTIC PARTNERS**

### **Domestic Partners Eligible for Health Coverage**

Group health coverage, including medical, dental and vision benefits, is available for same-sex domestic partners of the Company's eligible employees, and their eligible children. Refer to the applicable summary plan description (SPD) and enrollment materials for a definition of domestic partner and the procedures you must follow to enroll your domestic partner and/or their eligible children for coverage.

### **Tax Consequences of Domestic Partner Coverage**

Under federal tax law, if your domestic partner or his or her eligible child does not qualify as your tax dependent for coverage purposes (as defined below), then you will be unable to pay for such coverage on a pre-tax basis under the cafeteria plan. The value of that coverage, less the amount you pay for the coverage on an after-tax basis, will be included in your gross income, subject to federal income tax withholding and employment taxes, and will be reported on your Form W-2. This includes any portion of the premiums that the Company pays for your domestic partner's or his or her eligible child's coverage. (The value of coverage varies, depending on the coverage options you elect; see the Company for more information.) You will also be unable to claim expenses for your domestic partner or his or her children under the Company's health flexible spending account plan.

If your domestic partner or his or her eligible child qualifies as your tax dependent for coverage purposes, then you will be able to pay for that coverage on a pre-tax basis under the cafeteria plan and no portion of the premiums paid by the Company will be included in your income or be subject to federal withholding or employment taxes (except as may be required by applicable state law). You will also be able to claim eligible medical expenses for your domestic partner or his or her eligible child under the health flexible spending account plan.

Note that if your domestic partner or his or her eligible child fails to qualify as your tax dependent for health coverage purposes for the entire year because of a change of abode, household, or support during the year, the value of that coverage for the portion of the year prior to the change will be included in your gross income and related income tax and employment tax withholding will be charged to your pay as rapidly as possible. The catch-up on withholding will reduce your take-home pay for some periods.

You should also note that state tax treatment of domestic partner coverage may differ. For example, some states exclude domestic partner coverage from gross income for state income tax purposes, even if the domestic partner is not a federal tax dependent for coverage purposes. See the Company for more information about state tax treatment.

Although coverage is also available for children of an eligible employee's domestic partner under the Company's group health plan, a domestic partner's child is unlikely to qualify as an employee's tax dependent for health coverage purposes. Thus, the value of such coverage generally must be included in gross income. You should contact the Company if you believe your domestic partner's child may qualify as your tax dependent for health coverage purposes.

## Who Is a Tax Dependent for Health Coverage Purposes?

The following conditions must be met in order for your same-sex domestic partner to qualify as your tax dependent for benefit plan coverage purposes under federal tax law:

- you and your domestic partner must have the same principal place of abode for the entire calendar year;
- your domestic partner is a member of your household for the entire calendar year (the relationship must not violate local law);
- during the calendar year you provide more than half of your domestic partner or total support;
- your domestic partner is not your (or anyone else's) “qualifying child” under Code Section 152(c); and
- your domestic partner is a U.S. citizen, a U.S. national, or a resident of the U.S., Canada, or Mexico.

Your domestic partner could be your federal tax dependent even if you do not claim an exemption for him or her on your Form 1040. If your tax year is a year other than the calendar year, use the other year instead. The Company will also consider your domestic partner to be your federal tax dependent for health coverage purposes if he or she meets the above requirements for the first portion of the year, then you marry, and he or she remains your legal spouse for the remainder of the year.

To determine whether you provide more than half of your domestic partner’s total support, you must compare the amount of support you provide with the amount of support your domestic partner receives from all sources, including Social Security, welfare payments, the support you provide, and the support your domestic partner provides from his or her own funds. Support includes food, shelter, clothing, medical and dental care, education, and the like. If you believe you might provide more than half of your domestic partner or same-sex spouse's support, you should use the support worksheet in IRS Publication 501 (Exemptions, Standard Deduction, and Filing Information) before you complete the Certification described below. We recommend you consult with your attorney or tax advisor when making this determination.

## Filing a Certification of Same-Sex Dependent Domestic Partner Status

If your domestic partner qualifies as your tax dependent, you can avoid having the value of your domestic partner’s health coverage treated as taxable income. To avoid taxation, you must complete and return the attached Certification of Dependent Domestic Partner Status, indicating that your domestic partner qualifies as your federal tax dependent. Because the determination of whether a person is a tax dependent turns on facts solely within your knowledge, **the Company cannot make this determination for you.** You will be asked to complete a Certification each year at open enrollment. For any year in which the Company does not receive a Certification from you, the Company will assume that your domestic partner does not qualify as your federal tax dependent for that year.