

SUMMARY OF TAX TREATMENT OF COVERAGE PROVIDED FOR DOMESTIC PARTNERS AND THEIR CHILDREN

Coverage for Domestic Partners and Their Children

Health plan coverage (including Medical, Dental and Vision) is available for domestic partners of San Francisco Health Service System's (SFHSS) eligible members, and for children of domestic partners. Refer to the SFHSS Rules and Section 125 Cafeteria Plan for a definition of domestic partner and child, and for the procedures you must follow to enroll these individuals for coverage.

It is important to understand that the federal tax treatment of the coverage provided to domestic partners and their children is not the same as the federal tax treatment of benefits provided to spouses. Under federal tax law, you may pay for coverage provided to your legally married spouse on a pre-tax basis under the cafeteria plan, and no portion of the premiums paid by SFHSS will be included in your income or be subject to federal withholding or employment taxes. For this purpose, your spouse could be someone of the same or different gender.

Tax Consequences of Domestic Partner or Child Coverage

Under federal tax law, the tax treatment of coverage provided to your domestic partner, or to the child of your domestic partner (who is not also your child), will depend on whether the enrolled individual qualifies as your tax dependent for health coverage purposes (as defined below).

If the enrolled individual does not qualify as your tax dependent for health coverage purposes (as defined below), then you will be unable to pay for that coverage on a pre-tax basis under the cafeteria plan. The value of the coverage provided, 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 SFHSS pays for the applicable health coverage.

The value of coverage varies, depending on the medical and dental coverage options you elect.

You may be able to pay for coverage on a pre-tax basis for your domestic partner or partner's child (enrolled individual) provided that the enrolled individual qualifies as your tax dependent for health coverage purposes (as defined below). You would then be able to pay for the applicable coverage on a pre-tax basis under the SFHSS Cafeteria Plan, and no portion of the premiums paid by SFHSS will be included in your income or be subject to federal withholding or employment taxes.

Note that if the enrolled individual fails to qualify as your tax dependent for health coverage purposes for the entire year because of a change in his or her tax status during the year, the value of the applicable 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 health coverage for domestic partners and/or same sex spouses may differ. For example, some states including California exclude domestic partner coverage from gross income for state income tax purposes, even if the domestic partner is not a 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 domestic partner to qualify as your tax dependent for health coverage purposes under federal law:

- you and your domestic partner 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 the total support for your domestic partner;
- your domestic partner is not your (or anyone else's) "qualifying child" under Code § 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 for health coverage purposes even if you do not claim him or her as a dependent on your Form 1040.

To determine whether you provide more than half of the total support for your domestic partner, 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 the support for your domestic partner, you should use the support worksheet in IRS Publication 501 (Dependents, Standard Deduction, and Filing Information) before you complete the Tax Certification described below. Domestic partners who are subject to state community property laws may need to consider the impact of those laws on the support test. See IRS Publication 555 (Community Property) and Answers to Frequently Asked Questions for Registered Domestic Partners and Individuals in Civil Unions, available at: <https://www.irs.gov/newsroom/answers-to-frequently-asked-questions-for-registered-domestic-partners-and-individuals-in-civil-unions>.

The child of your domestic partner (who is not also your child) may qualify as your tax dependent for health coverage purposes under federal tax law by satisfying the above test or the "qualifying child" test. It can be

more difficult for the child of your domestic partner (who is not also your child) to satisfy these tests and qualify as your tax dependent for health coverage purposes. The child can also receive tax-free health coverage if he or she is your stepchild under the laws of the state in which you and your domestic partner reside, and the child is under age 27 at the end of the taxable year. You must consult your CPA, attorney, or other tax advisor for the information needed to make these determinations.

You Must File a Certification of Federal Tax Dependent Status to Avoid Taxation

To avoid taxation as explained above, you must complete and return a Certification of Federal Tax Dependent Status (Tax Certification), indicating that an enrolled domestic partner or child qualifies as your federal tax dependent for health coverage purposes. (A separate Tax Certification is required for each enrolled individual: your domestic partner and each child of your domestic partner who is not also your child.) If your domestic partner qualifies as your tax dependent for health coverage purposes, you can avoid having the value of your domestic partner's health coverage treated as taxable income. You will be asked to complete a Tax Certification each year at open enrollment. For any year in which SFHSS does not receive a Tax Certification from you, SFHSS will assume that the enrolled individual does not qualify as your federal tax dependent for health coverage purposes for that year.

Note: Whether a person is a tax dependent for health coverage purposes depends on facts solely within your knowledge. Consequently, SFHSS cannot make this determination for you. You must consult your CPA, attorney, or other tax advisor for the information needed to make this determination.

Further Information

If you have any questions regarding this summary, please contact SFHSS Member Services at (628) 652-4700.

GROUP HEALTH PLAN CERTIFICATION OF FEDERAL TAX DEPENDENT STATUS FOR DOMESTIC PARTNER OR CHILD (2026)

Please complete this Tax Certification for every individual enrolled as your domestic partner or as the child of your domestic partner (who is not also your child).

San Francisco Health Service System (SFHSS) Member:

Last Name	First Name	Employee ID

Enrolled Dependent:

Last Name	First Name	SSN

You must complete a separate form for each enrolled dependent who will qualify as your federal tax dependent for health coverage purposes in the current tax year.

Declaration:

By signing this declaration, I certify that all the statements below are true and correct:

1. The above-named Enrolled Dependent is my domestic partner on this date of this Tax Certification, or is the child of my domestic partner (who is not also my child).
2. I have read the notice entitled "Summary of Tax Treatment of Coverage Provided for Domestic Partners and Their Children," and I understand the requirements for qualifying another person as my federal tax dependent for health coverage purposes.
3. The above-named Enrolled Dependent qualifies as my federal tax dependent for health purposes in the current tax year.
4. I agree to notify SFHSS in writing within 30 days if there is any change in the status of the above-named Enrolled Dependent as my tax dependent for health coverage purposes, including any change that may occur midyear. I understand that any change in such status may result in the retroactive application of taxes to amounts previously paid for health coverage during the year. I also agree to notify SFHSS in writing within 30 days if my domestic partner becomes my spouse due to our marriage or a change in state law regarding his or her status.
5. I understand that on the basis of the above statements, SFHSS will decide whether to treat the above person as my tax dependent for all federal income and employment tax purposes, and that if I fail to complete this Tax Certification or any recertification requested by SFHSS, then SFHSS will assume that the above-named Enrolled Dependent does not qualify as my federal tax dependent for health coverage purposes.
6. I agree to reimburse SFHSS for any and all taxes, penalties, or other losses that SFHSS may incur as a result of its reliance on this Tax Certification if it is untrue or incorrect in any respect, or if I fail to provide the notice required by paragraph 4 above.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature: _____ **Date:** _____