

### What is Domestic Partner Imputed Income (DPI)?

- If you cover a domestic partner (who is not your IRS-recognized tax dependent) under your employer’s health, dental, vision, spouse/partner life or child life benefits, the IRS requires you to pay taxes on the value of those benefits.
- The value (called “fair market value” or FMV) of the employer-paid portion of coverage for your domestic partner is treated as taxable income, even though you don’t actually receive extra cash.
- **How Does It Affect Your Taxes?**
  - This imputed income is added to your gross wages and is subject to federal, state, and FICA (Social Security and Medicare) taxes.
  - Unlike spouse benefits (which are y pre-tax), domestic partner benefits are taxed.
  - The imputed income amount will show up on your W-2 form.
- **Payroll Deductions:**
  - Your employee contribution for your domestic partner’s coverage is deducted after taxes are calculated (post-tax).

### Summary:

If you add a domestic partner to your benefits, you’ll pay taxes on the value of their coverage, and this will increase your taxable income for the year resulting in lower take home pay. This is different from coverage for a spouse, which is usually not taxed if they are tax dependent.

If you marry your domestic partner, please inform Chubb Employee Benefits Service Center at 844-582-4822, so that your status can be updated and the imputed income removed.

A way to counteract the added tax may be to increase your contribution to your HSA, which is pre-tax, if you are enrolled in either the \$1850, \$3400 or \$1800 (for CA employees) plans. Your HSA maximum limit will increase when you add your partner. Chubb’s contribution, if you are enrolled in the \$1850 (Aetna and Horizon) or \$1800 (Kaiser) plans will also increase per quarter to \$250 instead of \$125.

Another option to lower your tax burden is to increase your pre-tax contribution to your 401(k) Plan.

As with any contemplated tax changes, you should discuss with your tax advisor.

An **example** of how the DPI can apply:

Assume your medical plan costs \$170 per pay for employee + spouse coverage.

Employee only coverage is \$69.00 per pay.

Since your domestic partner is not eligible for the benefit on a pre-tax basis, you need to calculate the post-tax amount:

Employee + spouse per pay deduction	\$170.00 (pre-tax)
Employee only per pay deduction	\$69.00 (pre-tax)
Difference	\$101.00 (post-tax for domestic partners)

Now calculate the imputed income which is the cost Chubb subsidizes for the coverage:

Employee + spouse Chubb cost	\$623.00
Employee only Chubb cost	\$282.00
Difference	\$341.00 (imputed income)

Chubb consolidates the imputed + post tax into one total:  $\$101.00 + 341.00 = \$442.00$ .

In this example, \$442.00 would be the amount of DPI for covering your domestic partner under a Chubb Medical Plan. Based on this example, if your highest marginal tax rate is 25%, you would pay additional income tax on the imputed income:

- **Imputed income per pay period:** \$341.00
- **Additional tax per pay period:**  $\$341.00 \times 25\% = \mathbf{\$85.25}$

The way this would affect your payroll is the \$101.00 is deducted from your paycheck on a post-tax basis (not pre-tax). Then \$341.00 is added to your taxable wages as an imputed income. You do not receive this amount in cash, but it increases your taxable income. Your payroll taxes (federal, state, Social Security and Medicare) are calculated on your regular wages **plus** the imputed income. And the additional income tax withheld from your paycheck is approximately \$85.25 (using the above example) per pay period, based on your 25% marginal rate.