

BUSINESS COALITION FOR BENEFITS TAX EQUITY

Our Mission. The Business Coalition for Benefits Tax Equity is a group of employers that support eliminating the federal tax inequities that result when corporations voluntarily provide health care coverage to the domestic partners (and other non-spouse, non-dependent beneficiaries) of their employees.

The Growth of Domestic Partner Health Coverage. In increasing numbers, employers across the United States have made the business decision to provide health benefits to the domestic partners of their employees. By January 2007, 53% of Fortune 500 companies (265) were offering domestic partner health coverage, a more than twelve-fold increase from 1995 when just 21 offered such coverage. These employers have recognized that the provision of domestic partner health coverage is an essential component of a comprehensive benefits package. This coverage helps corporations attract and retain qualified employees and provides employees with health security on an equitable basis.

The Inequities of Current Tax Law. Under current federal tax law, the value of health coverage provided to an employee's non-dependent domestic partner (or to other non-spouse, non-dependent beneficiaries) is included in the taxable income of the employee and in the employee's wages for payroll tax purposes. This results in higher income and payroll taxes for these employees than for employees with spousal coverage (where the value of the coverage is not regarded as taxable income or wages). These higher tax levels can lead employees to decline the domestic partner coverage, contributing to the problem of the uninsured. Inclusion of the value of the coverage in taxable wages also means that employers that sponsor this coverage owe payroll taxes on these amounts when they would not if the coverage were for spouses. In addition to increasing employers' payroll taxes, this regime places administrative burdens on corporations. Employers must calculate the portion of their health plan contribution attributable to the domestic partner and must create and maintain separate recordkeeping systems for income tax withholding and payroll tax obligations for employees who elect domestic partner health coverage.

The Solution. The Tax Equity for Health Plan Beneficiaries Act, H.R. 1820, introduced by Representative Jim McDermott (D-WA), would eliminate the inequities in federal tax law by excluding the value of domestic partner health coverage from the taxable income of the employee and from wages for purposes of both employee and employer payroll tax obligations. Formally, the bill would correct these inequities for domestic partners and others who qualify as plan beneficiaries under the employer plan but do not meet the tax code definition of spouse or dependent. In a corresponding change, the cost of health coverage for domestic partners of self-employed individuals would be deductible to the self-employed person (as spousal coverage is today). Employees would also be able to pay for their share of domestic partner health premiums on a pre-tax basis through a cafeteria plan. Finally, employees could use funds in flexible spending accounts (FSAs) and health reimbursement arrangements (HRAs) for the health expenses of their domestic partners or other non-spouse, non-dependent beneficiaries. Under the bill, employers would retain their current flexibility to establish their own criteria for demonstrating domestic partner status.

Coalition Membership. The current members of the Business Coalition for Benefits Tax Equity are listed below. We urge you to join us in seeking passage of the Tax Equity for Health Plan Beneficiaries Act.

A.H. Wilder Foundation	St. Paul, MN	Hewlett-Packard Company	Palo Alto, CA
Ameriprise Financial, Inc.	Minneapolis, MN	HSBC North America	Prospect Heights, IL
Bausch & Lomb Inc.	Rochester, NY	JP Morgan Chase & Co.	New York, NY
Best Buy, Co., Inc.	Richfield, MN	Levi Strauss & Co.	San Francisco, CA
BlueCross BlueShield of MN	Eagan, MN	Marriott International, Inc.	Washington, DC
Capital One Financial Corp.	Falls Church, VA	Medtronic, Inc.	Minneapolis, MN
Charles Schwab & Co, Inc.	San Francisco, CA	MetLife, Inc.	New York, NY
The Chubb Corporation	Warren, NJ	Microsoft Corporation	Redmond, WA
Citigroup	New York, NY	Motorola	Schaumburg, IL
Corning, Inc.	Corning, NY	Nike Inc.	Beaverton, OR
Coors Brewing Co.	Golden, CO	PricewaterhouseCoopers	New York, NY
Cullen Weston Pines & Bach	Madison, WI	Project for Pride in Living	Minneapolis, MN
The Dow Chemical Co.	Midland, MI	Prudential Financial	Newark, NJ
Eastman Kodak	Rochester, NY	San Fran. Health Svs. Sys.	San Francisco, CA
General Mills Inc.	Minneapolis, MN	Time Warner Inc.	New York, NY
		Xerox Corporation	Rochester, NY

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