

**** EMPLOYER BULLETIN ****

TO: ALL GROUP HEALTH CLIENTS

FROM: GREENBERG & ASSOCIATES INSURANCE

DATE: JUNE 25, 2007

RE: DOMESTIC PARTNER'S COVERAGE

Many states are expanding rights for unmarried couples in committed relationships by legally defining and recognizing those relationships. These committed relationships are often referred to as "domestic partnerships" or "civil unions". The state laws range from providing limited privileges to rights and responsibilities that reflect those of marriage. Those employers extending health insurance to domestic partners will be confronted with a host of rules as they relate to domestic partners as these laws evolve.

At this time, the State of Oregon does not require that employers provide domestic partner's benefits to their employees. However, Oregon has passed legislation this year that will go into effect January 1, 2008. From what I have read thus far, the Oregon law will require Registration of Domestic Partnerships and some type of State tax favored benefits. But, none of this has yet been defined. Also, whether there is a "mandate" to provide medical coverage to domestic partners is still yet to be determined. Until the State writes the administrative rules, and insurers interpret them, we are somewhat in the dark about how this legislation will impact employers. However, when we know more, we will provide you with all of the details.

Most medical carriers in the State of Oregon are currently allowing employers the *option* to include domestic partner's coverage on their group medical plans for both same, and opposite sex couples. One carrier, Lifewise, is actually including this coverage *automatically* on all new and renewing groups effective July 1, 2007 in anticipation of a mandate effective January 1, 2008. However, not all Dental carriers for the small group market (2 to 25) provide the option to include domestic partner's coverage. Therefore, what we'll find is an employer may be able to extend domestic partner's coverage on their medical plan, but, not on the dental, which will create administrative confusion.

The first challenge confronting the implementation of domestic partner's coverage will be to clarify how the inclusion of domestic partner's coverage on group plans will impact taxes. Currently the Federal government does not recognize domestic partners as spouses. Therefore, tax exemptions allowed for employer provided health care and participation in a Section 125 Plan, are not currently recognized by the IRS. Knowing this sends up a red flag regarding whether the State and Federal government will require the employer to add the imputed value of medical or dental benefits to an employee's wages. Or, if the State or Federal government will expect that the employees purchasing coverage for their domestic partners declare it as additional income on their own returns.

We have asked the insurance carriers for guidance regarding the tax implications of domestic partner's coverage for the employer and/or employee. They have not offered any assistance regarding this matter, stating that it is a tax related issue and to discuss it with your tax professionals. Therefore, in the absence of any help from the carriers, we do recommend that if you already have domestic partner's coverage, or are entertaining including it for your employees, that you do review with your Corporate Tax Attorney or CPA, what the tax considerations will be for the business and/or employees.

Let us know if you have any questions or concerns about this issue that we can pass on to the carriers for their input. Until all shakes out regarding Oregon's new legislation, and the Feds catch up to what the States are doing, I'm sure we'll all have lots of questions.

Sharon and Adrienne