

COVERING YOUR DOMESTIC PARTNER

Under a Company HDHP: Tax Implication

At Arcwood Environmental, the cost of monthly health care premiums is shared between the Company and you as a plan participant. In general, the Company contributes 85% of this cost each month while you pay just 15%.

Under federal tax law, the portion of monthly premiums that your employer pays for **your coverage** (and that of your spouse, child(ren) and certain dependents*) **is not taxed** as income. However, a domestic partner is not considered a spouse under federal law. While premiums for domestic partner coverage are the same as those for covering a spouse or family, there is one tax implication you should be aware of:

- The total cost to cover your domestic partner and/or your partner's children is considered taxable income (i.e., **imputed income**) and is reported as such on your Form W-2.

This will result in additional income taxes being withheld from your pay, so the cost of covering your domestic partner will have the effect of lowering your net income.

If you know your tax rate, you can estimate the tax implications and decide if it makes financial sense to cover your partner for the year. Other factors, including plan features, will affect your decision as well. **See the example on the next page.**

Enrolling Your Domestic Partner in the Health Care Plan

Please enroll in benefits online through [UKG](#) within 30 days of your date of hire or of your family status change, or during annual open enrollment. To enroll your domestic partner, complete this additional form and email it to HR Services at HRS@arcwoodenviro.com:

- [Domestic Partnership Affidavit Form](#) (which can be found on the [Total Rewards Site](#) under Benefits. Scroll down to the Benefit Forms section).

**NOTE: If your partner is an IRS-qualifying dependent on your federal tax return, your employer's contribution would not be taxed. For the definition of dependent, see <https://www.irs.gov/pub/irs-pdf/i1040gi.pdf>, page 17, Who Qualifies as a Dependent. You may also wish to consult a tax professional for personalized assistance.*

***Refer to **Share of Monthly Premiums by Coverage Level, Plan Year 2025**, page 3, for share of cost information.*

Example (2025 Plan Year)

ASSUMPTIONS:

Plan: \$4,000 HDHP (coverage level: Employee + Spouse/Domestic Partner)

Pay frequency: monthly (12x per year)

Income tax rate: 20%

- ❶ Find the total cost per month for covering your domestic partner in the table on page 3:
 - a. Calculate the difference in premium that is attributable to your domestic partner vs. covering just yourself: \$1,554.05 - \$708.72 = **\$845.33**. This amount is considered taxable income (i.e. **imputed income**) and is reported as such on your Form W-2. Since it's taxable income, your take-home pay will decrease by the amount of income tax you'll pay on this amount.
- ❷ Estimate additional monthly income tax on these amounts, assuming a 20% tax rate ($\$845.33 \times .20 =$ **\$169.07**)
- ❸ Calculate annual income tax by multiplying monthly numbers by 12 ($\$169.07 \times 12 =$ **\$2,028.84**)

| | | Total cost per month |
|--|---|--|
| Employee only | Before tax | \$708.72 |
| Employee + spouse | Before tax | \$1,554.05 |
| Employee + domestic partner (same rate as for Employee + spouse) | Difference in premium attributable to domestic partner, after tax | ❶ \$845.33 |
| | | ↑ Additional taxable (or "imputed") income per month |
| Additional monthly income tax | | $\$845.33 \times .20 =$ ❷ \$169.07 |
| Additional annual (x 12) income tax | | ❸ \$2028.84 |
| Total additional annual income tax per year | | \$2,028.84 |

Share of Monthly Premiums by Coverage Level (2025 Plan Year)

| \$2000/\$4000 HDHP1 - Monthly Rates* | | | |
|---------------------------------------|---------------|--------------|------------|
| Coverage level | Employee Rate | Company Rate | Total |
| Employee only | \$142.31 | \$637.04 | \$779.35 |
| Employee + spouse | \$341.73 | \$1,367.69 | \$1,709.42 |
| Employee + child(ren) | \$280.74 | \$1,140.58 | \$1,421.31 |
| Family | \$467.07 | \$1,885.13 | \$2,352.18 |
| \$4000/\$8000 HDHP2 - Monthly Rates* | | | |
| Coverage level | Employee Rate | Company Rate | Total |
| Employee only | \$71.70 | \$637.04 | \$708.72 |
| Employee + spouse | \$186.36 | \$1,367.69 | \$1,554.05 |
| Employee + child(ren) | \$153.60 | \$1,140.58 | \$1,294.18 |
| Family | \$255.19 | \$1,885.13 | \$2,140.30 |
| \$6000/\$12000 HDHP3 - Monthly Rates* | | | |
| Employee only | \$19.70 | \$637.04 | \$656.74 |
| Employee + spouse | \$71.98 | \$1,367.69 | \$1,439.68 |
| Employee + child(ren) | \$60.04 | \$1,140.58 | \$1,200.60 |
| Family | \$99.21 | \$1,885.13 | \$1,984.34 |

*rates are without tobacco surcharge

Contact HR Services at 317-390-3148 or HRS@arcwoodenviro.com with questions about benefits enrollment, payroll deductions or other HR transaction-related matters.