

BUSINESS COALITION FOR BENEFITS TAX EQUITY

Our Mission. The Business Coalition for Benefits Tax Equity is a group of employers and business trade associations 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 April 2008, 54% of Fortune 500 companies (270) were offering domestic partner health coverage, a more than twelve-fold increase from 1995. 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. This regime also imposes administrative burdens. Employers must calculate the portion of their health plan contribution attributable to the domestic partner and must maintain separate recordkeeping systems for income tax withholding and payroll tax obligations for affected employees.

The Solution. The Tax Equity for Health Plan Beneficiaries Act, which will soon be re-introduced in the House of Representatives by Representative Jim McDermott (D-WA) and in the Senate by Senator Charles Schumer (D-NY), 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 payroll tax obligations. 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 health-related savings accounts (FSAs, HRAs, HSAs) for the health expenses of their 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.

Aetna	Hartford, CT	IBM Corp.	Armonk, NY
Alcoa Inc.	Pittsburgh, PA	ICMA Retirement Corporation	Washington, DC
American Benefits Council	Washington, DC	Intel Corporation	Santa Clara, CA
Ameriprise Financial, Inc.	Minneapolis, MN	JP Morgan Chase & Co.	New York, NY
Bausch & Lomb Inc.	Rochester, NY	KPMG	Montvale, NJ
Best Buy, Co., Inc.	Richfield, MN	Levi Strauss & Co.	San Francisco, CA
BlueCross BlueShield of MN	Eagan, MN	Marriott International, Inc.	Washington, DC
Boehringer Ingelheim USA Corp.	Ridgefield, CT	Medtronic, Inc.	Minneapolis, MN
Capital One Financial Corp.	Falls Church, VA	Merck & Co., Inc.	Whitehouse Station, NJ
Carlson Companies	Minneapolis, MN	MetLife, Inc.	New York, NY
Charles Schwab & Co, Inc.	San Francisco, CA	Microsoft Corporation	Redmond, WA
The Chubb Corporation	Warren, NJ	Miller-Coors Brewing Co.	Golden, CO
Citigroup	New York, NY	Motorola	Schaumburg, IL
CNA Insurance	Chicago, IL	Nike Inc.	Beaverton, OR
College & University Professional Association for Human Resources	Knoxville, TN	PG&E Corporation	San Francisco, CA
Corning, Inc.	Corning, NY	PricewaterhouseCoopers	New York, NY
The Dow Chemical Co.	Midland, MI	Prudential Financial	Newark, NJ
Eastman Kodak	Rochester, NY	Replacements, Ltd.	Greensboro, NC
Ernst & Young	New York, NY	Russell Investment Group	Tacoma, WA
General Mills Inc.	Minneapolis, MN	Texas Instruments	Dallas, TX
HermanMiller	Zeeland, MI	TIAA-CREF	New York, NY
Hewlett-Packard Company	Palo Alto, CA	Time Warner Inc.	New York, NY
HSBC North America	Prospect Heights, IL	Verizon Communications, Inc.	New York, NY
		Xerox Corporation	Rochester, NY

For more information, please contact Jamey Delaplane of Davis & Harman LLP at (202) 662-2294.