

**TAXABLE BENEFITS
PROCESSING
ON HRIS**

**P1 TYPE 300
TAXABLE FRINGE BENEFITS**

&

**P1 TYPE 301
TAXABLE BENEFIT CANCEL**

REVISED December 2016

HEALTH AND DENTAL COVERAGE FOR FULL-TIME STUDENTS OVER AGE 26

Eligibility for Coverage

Iowa Code 509A.13B allows for the coverage of an unmarried child that maintains full-time status as a student in an accredited institution of postsecondary education. When the employee enrolls their unmarried full-time student over the age 26 in their health and/or dental coverage, the employee must complete/submit a [Certification of Full-Time Student Status](#) form and provide verification of full-time student status. On this form the employee will declare whether their student is or is not a qualified tax dependent as defined by the IRS. The Internal Revenue Service (IRS) has criteria to determine if a dependent qualifies as a “tax dependent”. The IRS rules for determining whether their full-time student over the age 26 qualifies as a “tax dependent” are complicated. **The employee should consult with the tax advisor to determine if their full-time student qualifies as a “tax dependent” under the IRS.**

Tax Consequences

If the employee’s full-time student qualifies as a tax dependent per the IRS regulations, the employee will not pay any additional tax to cover the dependent. No additional P1’s are needed on HRIS and there is no impact on the payroll calculation.

If the employee’s full-time student **does not** qualify as a tax dependent per the IRS regulations, then the **added value** of providing that dependent health and dental coverage is taxable to the employee. **This amount will be included in the employee’s gross income and will be subject to federal and state withholding and FICA and be reported to the employee on their W-2 Form.** The employee is not taxed on the total health and dental premiums but only on the amount that provides coverage for the “non-qualified tax dependent.”

The declaration of the tax status of the student will remain in effect until the employee submits another certification form changing the tax status or the student is removed from coverage.

Payroll Calculation

Since there is no exclusion from taxes for coverage of full-time students over the age of 26, the taxable benefit for a full-time student over age 26 will be taxed at both the Federal and State level.

HEALTH AND DENTAL COVERAGE FOR DOMESTIC PARTNERS AND DOMESTIC PARTNER CHILDREN

Eligibility for Coverage

Employees covered by the AFSCME Collective Bargaining Agreement (Executive Branch and Judicial Branch), Judicial PPME, Non-Contract, IUP Social Service, and IUP Science Collective Bargaining Agreement are allowed to add a domestic partner and the domestic partner's children to their health and/or dental coverage. Employees covered by the SPOC Collective Bargaining Agreement are NOT allowed to add a domestic partner or domestic partner's children to their coverage.

To be eligible for Domestic Partner coverage, the employee and their domestic partner must meet the conditions as outlined in the Affidavit of Domestic Partnership. To enroll a Domestic Partner, the employee must first fill out the [Affidavit of Domestic Partnership](#) which is available on the DAS-HRE Web Site. Children of either the employee or Domestic Partner may be insured under the health and dental options for which the employee is eligible. If the employee will cover the Domestic Partner's dependent(s), an [Affidavit of Domestic Partnership](#) form must be completed with the Domestic Partners dependent(s) listed on page three. DAS-HRE still needs to know if the Domestic Partner is or is not a tax dependent.

Tax Consequences

If the domestic partner or their dependent children qualify as a tax dependent per the IRS regulations, the employee will not pay any additional tax to cover the domestic partner or their dependent children. No additional P1's are needed on HRIS and there is no impact on the payroll calculation.

If the employee's domestic partner or their dependent children **do not** qualify as a dependent under the IRS regulations, then the **added value** of providing that domestic partner or their dependent children health and dental coverage is taxable to the employee. **The amount will be included in the employee's gross income and will be subject to federal and state withholding and FICA and be reported to the employee on their W-2 Form.** The employee is not taxed on the total health and dental premiums but only on the amount that provides coverage for the "non-qualified tax dependent".

The declaration of the tax status of the domestic partner or their dependent children will remain in effect until the employee submits another affidavit form changing the tax status or the domestic partner or their dependent children are removed from coverage.

Payroll Calculation

Since there is no exclusion from taxes for coverage of a domestic partner or their dependent children, the taxable benefit for a domestic partner or their dependent children will be taxed at both the Federal and State level.

PERSONNEL ACTIONS (P-1s)
P1 TYPE 300 - TAXABLE FRINGE BENEFITS

Any changes made to health or dental insurance coverage must be completed in IowaBenefits first. If the coverage of the health insurance or dental insurance is changed (i.e., family to single/single to family) the IowaBenefits system will send a change for an automatic P1 type 294 to generate in HRIS which must process first. A P1 type 294 will not be generated in all cases; the P1 will only be generated if there is a change in the coverage level or change in the health plan. For example, going from a single plan to a family plan, or going from Blue Advantage coverage to Blue Access coverage. Once the change has been made in the IowaBenefits system and, if necessary, the P1 type 294 HEALTH/DENTAL BENEFIT CHANGE has been automatically generated on HRIS, a P1 Type 300 TAXABLE FRINGE BENEFITS can be written. The information for the health and dental insurance will be populated on the FROM side of the P1 Type 300 TAXABLE FRINGE BENEFITS based on the health and dental codes that are in the employees record on Employee Information in HRIS at the time that the P1 type 300 is written. As long as the information has populated correctly on the P1 type 300, there are no entries that are needed on Page 1 of the P1.

P1 Type 300 – Taxable Fringe Benefit – Page 1

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D3325072 ACT: _      REPORT OF PERSONNEL ACTION (P-1) | ----- P-1 TYPE -----
PRINTER:           L NAME, F NAME | 300 TAXABLE FRINGE BEN
-- P-1 STATUS --   P-1 NUMBER .....: 1596000 | ----- APPROVED BY -----
NEEDS PA APPV     EFFECTIVE DATE ....: 12/18/2015 | PA BENE PAYL PROC
OPTIONAL REMARKS* INITIATED BY .....: 005-410010 | NO NO NO NO
REMARKS:           |
----- F R O M ----- D E S C ----- T O ----- PAGE 1 OF 2
                CN600 |HI PLAN NUMBER |
                01/01/2015 | HI EFF DATE | / /
NOT DOUBLE SPOUSE 0 |HI PLAN HOLDER*|
                DN600 |DI PLAN NUMBER*|
                01/01/2015 | DI EFF DATE | / /
NOT DOUBLE SPOUSE 0 |DI PLAN HOLDER*|
                - - | SPOUSE SSAN | - -
NO DEPT IDENTIFIED | SPOUSE DEPT* | NO DEPT IDENTIFIED
                | |
                | |
                | |
                | |
----- * INDICATES SELECTION LIST
? ACTION HELP PF7 PREV PF8 NEXT PF9 HELP PF12 RETURN CLEAR EXIT
    
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The taxable benefit amount to be entered on the P1 depends on the type of non-qualified dependent that is covered on the health and/or dental insurance plans. Full-Time Student Over Age 26, Domestic Partners, and Domestic Partner dependent(s), if applicable, are taxed at the both the federal and state levels.

To complete Page 2 of the P1 Type 300 – Taxable Fringe Benefit, you will need the [Added Value Tax Table](#) that is provided by DAS-HRE each Enrollment and Change Period. The calculations for the taxable amounts should be shown on the Remarks page of the P1 along with the names of those covered and the status they are covered under.

P1 Type 300 – Taxable Fringe Benefit – Page 2

| | | | |
|---|----------------------------------|---------------|---------------------------------|
| D3325063 ACT: _ | REPORT OF PERSONNEL ACTION (P-1) | | ----- P-1 TYPE ----- |
| PRINTER: | L NAME, F NAME | | 300 TAXABLE FRINGE BEN |
| -- P-1 STATUS -- | P-1 NUMBER: 1596000 | | ----- APPROVED BY ----- |
| NEEDS PA APPV | EFFECTIVE DATE: 12/18/2015 | | PA BENE PAYL PROC |
| OPTIONAL REMARKS* | INITIATED BY: 005-410010 | | NO NO NO NO |
| REMARKS: | | | |
| ----- F R O M ----- D E S C ----- T O ----- PAGE 2 OF 2 | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | 0.00 | FED TAXABLE | 769.74 |
| | 0.00 | STATE TAXABLE | 769.74 |
| ----- * INDICATES SELECTION LIST | | | |
| ? ACTION HELP | PF7 PREV | PF8 NEXT | PF9 HELP PF12 RETURN CLEAR EXIT |

Figure 3 – P1 Type 300 – Taxable Fringe Benefit – Remarks Page

| | | |
|--|--------------------------|--------------------|
| D3449615 ACTION: _ | PERSONNEL ACTIONS (P-1S) | PAGE: 0001 OF 0001 |
| PRINTER ID: | REMARKS | |
| EMPLOYEE HAS BEEN NOTIFIED OF THE TAX CONSEQUENCES AND IMPACT TO THEIR PAY AS THE RESULT OF ADDING AN OVER AGE 26 FULL-TIME STUDENT AND/OR DOMESTIC PARTNER. | | |
| JANE DOE - PLAN HOLDER | | |
| SUSIE DOE - DAUGHTER, OVER AGE 26 FULL-TIME STUDENT - HEALTH AND DENTAL | | |
| JOHN SMITH - DOMESTIC PARTNER - HEALTH AND DENTAL | | |
| FEDERAL AND STATE TAX - SUSIE AND JOHN ARE TAXABLE FOR FEDERAL & STATE | | |
| AFSCME BLUE ACCESS HEALTH - SUSIE AND JOHN = \$727.90 | | |
| DENTAL - SUSIE AND JOHN = \$41.84 | | |
| TOTAL FEDERAL AND STATE TAXABLE = \$769.74 | | |
| LINE ACT: ,I9 ,R9 ,M9 ,C9 ,D9 ,D* ,MM ,CC ,DD ,A ,B ,F99 | | |
| H HARD COPY UP UPPER CASE MX MIXED CASE ST SAVE TEXT RT RESTORE TEXT | | |
| PF1 EXIT NO SAVE PF5 SAVE PF7 BKWD PF8 FWD PF9 HELP PF12 RETURN CLEAR EXIT | | |

PERSONNEL ACTIONS (P-1s)
P1 TYPE 301 - TAXABLE BENEFIT CANCEL

Any changes that are made to the dependent(s) that are covered on health and/or dental should be completed in IowaBenefits first. If the health insurance or dental insurance is changed (family to single/single to family) the IowaBenefits system will send the change to automatically generate a P1 type 294 on HRIS which must process first. Changes that add or remove a taxable dependent from coverage, but **do not** remove all taxable dependents, must be completed on a P1 type 300. The only time a P1 type 301 Taxable Benefit Cancel is prepared is when the coverage for **all** taxable dependents is cancelled. Again, this cancellation must first be entered into the IowaBenefits System and any resulting P1 type 294 must process before preparing the P1 type 301. There should be no changes that are needed to Page 1 of the P1 type 301, since the P1 type 294 should have processed and updated the "FROM" side before the P1 type 301 was written

Figure 4 – P1 Type 301 – Taxable Benefit Cancel – Page 1

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D3325072 ACT: _   REPORT OF PERSONNEL ACTION (P-1) | ----- P-1 TYPE -----
PRINTER:          L NAME, F NAME                 | 301 TAX BENEFIT CANCEL
-- P-1 STATUS --  P-1 NUMBER .....: 1596001     | ----- APPROVED BY -----
NEEDS PA APPV    EFFECTIVE DATE .....: 01/15/2016 | PA  BENE  PAYL  PROC
OPTIONAL REMARKS* INITIATED BY .....: 005-410010 | NO  NO  NO  NO
REMARKS:
----- F R O M ----- D E S C ----- T O ----- PAGE 1 OF 2
          CN600 |HI PLAN NUMBER |
          01/01/2010 | HI EFF DATE | / /
NOT DOUBLE SPOUSE 0 |HI PLAN HOLDER*|
          DN600 |DI PLAN NUMBER*|
          01/01/2010 | DI EFF DATE | / /
NOT DOUBLE SPOUSE 0 |DI PLAN HOLDER*|
          - - | SPOUSE SSAN | - -
NO DEPT IDENTIFIED | SPOUSE DEPT* | NO DEPT IDENTIFIED
          |
          |
          |
          |
          |
----- * INDICATES SELECTION LIST
? ACTION HELP    PF7 PREV    PF8 NEXT    PF9 HELP    PF12 RETURN    CLEAR EXIT
    
```

Page 2 of the P1 type 301 Taxable Benefit Cancel does not need any entries on the page to cancel the taxable benefit, since HRIS will zero out the taxable benefit amount. If the employee is eligible to change their Pre-Tax status due to an eligible event, the status can be changed on P1 type 241 PRETAX STATUS CHANGE. Please refer to the Premium Tax Conversion section of the [Plan Document for the State of Iowa Cafeteria Plan](#) on the DAS-HRE Web Site.

Figure 5 – P1 Type 301 – Taxable Benefit Cancel – Page 2

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D3325063 ACT: _      REPORT OF PERSONNEL ACTION (P-1) | ----- P-1 TYPE -----
PRINTER:           L NAME, F NAME                   | 301 TAX BENEFIT CANCEL
-- P-1 STATUS --   P-1 NUMBER .....: 1596001       | ----- APPROVED BY -----
NEEDS PA APPV     EFFECTIVE DATE ....: 01/15/2016   | PA  BENE  PAYL  PROC
OPTIONAL REMARKS* INITIATED BY .....: 005-410010    | NO  NO   NO   NO
REMARKS:
----- F R O M ----- D E S C ----- T O ----- PAGE  2 OF  2
769.74 | FED TAXABLE | 0.00
769.74 | STATE TAXABLE | 0.00
----- * INDICATES SELECTION LIST
? ACTION HELP      PF7 PREV      PF8 NEXT      PF9 HELP      PF12 RETURN      CLEAR EXIT
    
```

Page 3 of the P1 type 301 Taxable Benefit Cancel needs remarks about who is being dropped and why the taxable benefit is being cancelled.

Figure 6 – P1 Type 301 – Taxable Benefit Cancel – Remarks Page

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D3449615 ACTION: _      PERSONNEL ACTIONS (P-1S)           PAGE: 0001 OF 0001
PRINTER ID:           REMARKS

JANE DOE
REMOVED DEPENDENT SUSIE, LOSS OF STUDENT STATUS
JOHN SMITH MARRIAGE 1/1/16
PER EMAIL FROM EE 1/25/16

IB UPDATED 1/25/16

REMOVED TAXABLE AMOUNTS

DEPENDENT AND DOMESTIC PARTNER CANCELLED EFFECTIVE 02/01/16. MMW
    
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CORRECTIONS/ADJUSTMENTS

If there is a need to adjust any taxable benefit amounts that have been charged to an employee through payroll, or inadvertently not charged to an employee through payroll, please contact Michelle Wendel at (515) 281-3976, Wendy Noce at (515) 281-8120, or Lisa Elliott at (515) 281-3130 in Centralized Payroll.. If there are any questions regarding health or dental coverage or questions about forms, please contact HRE at (515) 281-6207.