



Frequently Asked Questions and Tax Implications GVSU Household Member Program

Why did Grand Valley State University expand our benefit plans to include a household member?

This three year pilot program, effective September 2008, was developed to help further the GVSU Mission, Values and Strategic Plan. The program will also support the recruitment and retention efforts of the University in an effort to keep us competitive with other public universities who already offer similar benefits to their faculty and staff.

Which faculty/staff members are eligible to add coverage for a household member?

All faculty/staff members already eligible for health care benefits through Grand Valley State University.

Who is considered an eligible household member?

Under the Household Member program, a GVSU faculty/staff member who does not already enroll a spouse in the health or other benefit plans may enroll one adult individual for benefit coverage. To receive benefits for a household member, you will need to sign an Affidavit certifying, among other items, that the household member:

- at the time of proposed enrollment, resides in the same residence as the faculty/staff member and has done so for the previous 18 continuous months
- is not a “dependent” of the faculty/staff member as defined by the IRS
- is not a child of the faculty/staff member and their descendents (children, grandchildren)
- is not a parent of the faculty/staff member
- is not a parents’ other descendents (siblings, nieces, nephews)
- is not a grandparent or their descendents (aunts, uncles, cousins)
- is not a renter, boarder, or tenant

Faculty/staff members who wish to add a member of their household under the program must contact Human Resources/Benefits to determine eligibility. Call the Benefits Hotline at (616) 331.2220 for more information.

Are children of my household member eligible for coverage?

Children of a Household Member are also eligible for this benefit if they are members of the faculty/staff member’s household and meet IRS dependent criteria as well as university dependent coverage policy (up to age 19, or while a student).

Will all of the GVSU benefits be available to a household member?

Yes. The same benefits currently offered to spouses and dependent children of Grand Valley State University faculty/staff member will be offered to a household member.

However, because the IRS definition of “dependent” differs for taxation purposes the per pay period faculty/staff contributions for a household member will not be eligible for pre-tax deductions. In addition, the value of the Grand Valley State University’s cost for insurance coverage will be considered taxable income. **See the Q&A below for additional information on the tax implications.**

Are there other changes in Grand Valley State University policies and benefits due to the inclusion of a household member?

Yes. Other benefits and policies that apply to household members include: Tuition Reduction, Supplemental Life Insurance, GVSU Retiree Medical Program, Long-Term Care, COBRA, FMLA, Bereavement Leave, Adoption Assistance, Employee Assistance Program, Recreation/Wellness Center. Consult the appropriate Administrative Manual, Handbook, Collective Bargaining Agreement or specific benefit plan document for more details.

How do I enroll for household member healthcare coverage?

During the 2009 annual Open enrollment period, from October 28, 2008 through the close of business November 10, 2008, you can contact Human Resources/Benefits at (616) 331 2220 or at healthandwellness@gvsu.edu to request an Enrollment Kit.

How would I add a household member outside of open enrollment?

Outside of the open enrollment period, a faculty/staff member must have a “qualified event” to add a household member. A “qualified event” includes, attaining the 18 month residency requirement, loss of other benefit coverage, employment change affecting benefit eligibility, birth or adoption of child, death, etc. Contact Human Resource/Benefits within 30 days of an event at (616) 331 2220 for more information.

Can I add a household member only to certain plans?

If you have an eligible household member, you may choose to enroll them in any of the same health and dental benefit options you are currently enrolled in. Your household member does not need to be enrolled in medical coverage to participate in dental or vision coverage. For example, you may choose to enroll them in dental coverage only.

Regardless of their election for coverage in the health or dental benefits, an eligible household member may participate in any of the other benefit options, such as the tuition reduction program or the Recreation/Wellness Center.

Is my household member eligible for reimbursement through the Flexible Spending Account Program?

No. The IRS does not recognize household member status, you cannot be reimbursed for a household member’s health care expenses or their children’s expenses, via an FSA account.

Why is my household member benefits taxed when other dependent benefits are not?

The IRS has ruled that a household member cannot be considered dependents for tax purposes. This means a faculty/staff member cannot pay for their per pay period deductions for the cost of coverage on a pre-tax basis. Also, the University is obligated to report the “fair market value” of the household member coverage as income to the employee. The faculty/staff member must pay income tax on that benefit.

How is my paycheck affected by adding a household member?

According to IRS regulations, a household member is treated differently for tax purposes than other dependents in a benefit plan. The benefits provided for a household member are considered taxable to the faculty/staff member. Two items will change on your paycheck when you add a household member to coverage:

1. A portion of your per pay period faculty/staff contributions for coverage will be taken as an after tax deduction. The IRS does not permit a pre-tax deduction.
2. The “fair market value” of GVSU’s cost for insurance coverage (the amount GVSU pays for coverage) will be considered taxable income to the faculty/staff member. The “fair market value” is the cost of insurance to add one dependent to our plan. This amount will show as “imputed income” on your paycheck and the total amount will be added to your W-2 Form at year-end. You pay taxes on the value of the household member coverage provided by GVSU.

The following chart shows the amounts for 2008 that will be deducted from your paycheck on an after-tax basis and the imputed income amount added to your W-2 Form:

**GVSU Household Member Program
2009 Individual Tax Implication**

Additional Payroll Deduction (After Tax)¹
IRS Imputed Income Included As Taxable Income²
15% Tax Rate
20% Tax Rate
25% Tax Rate
30% Tax Rate

Plan	Additional Payroll Deduction (After Tax) ¹		IRS Imputed Income Included As Taxable Income ²			Annual IRS Fair Market Value Cost ^{3,4}	15% Tax Rate		20% Tax Rate		25% Tax Rate		30% Tax Rate	
	26 & 24 Pay Periods	18 Pay Periods	26 Pay Periods	24 Pay Periods	18 Pay Periods		Estimated Additional Annual Tax ^{5,6}	Estimated Annual Cost (Add. Deduct + Est. Tax)	Estimated Additional Annual Tax ^{5,6}	Estimated Annual Cost (Add. Deduct + Est. Tax)	Estimated Additional Annual Tax ^{5,6}	Estimated Annual Cost (Add. Deduct + Est. Tax)	Estimated Additional Annual Tax ^{5,6}	Estimated Annual Cost (Add. Deduct + Est. Tax)
GVSU Enhanced PPO	\$33.00	\$44.00	\$252.27	\$273.29	\$364.39	\$7,350.96	\$1,984.76	\$2,776.76	\$2,352.31	\$3,144.31	\$2,719.86	\$3,511.86	\$3,087.40	\$3,879.40
GVSU Base PPO	\$14.50	\$19.34	\$123.49	\$133.79	\$178.38	\$3,558.84	\$960.89	\$1,309.01	\$1,138.83	\$1,486.95	\$1,316.77	\$1,664.89	\$1,494.71	\$1,842.83
Priority Health HMO	\$37.00	\$49.33	\$246.06	\$266.57	\$355.42	\$7,285.56	\$1,967.10	\$2,855.04	\$2,331.38	\$3,219.32	\$2,695.66	\$3,583.60	\$3,059.94	\$3,947.88
Grand Valley Health Plan HMO	\$32.50	\$43.34	\$217.14	\$235.24	\$313.65	\$6,425.64	\$1,734.92	\$2,515.04	\$2,056.20	\$2,836.32	\$2,377.49	\$3,157.61	\$2,698.77	\$3,478.89
Delta Dental	\$1.50	\$2.00	\$10.57	\$11.45	\$15.26	\$310.68	\$83.88	\$119.88	\$99.42	\$135.42	\$114.95	\$150.95	\$130.49	\$166.49
Vision	\$3.35	\$4.47	n/a	n/a	n/a	n/a	\$21.71	\$102.17	\$25.73	\$106.19	\$29.75	\$110.21	\$33.77	\$114.23

¹Calculated as the difference between Dual and Single Coverage Rate for each Plan.

²Calculated as the difference between the Fair Market Value (FMV) and the Faculty/Staff after-tax payroll deduction for each Plan.

³IRS imputed income plus additional payroll deduction (after tax).

^{4,5,6}Based on stated Federal Tax Rate, FICA, MQFE and MI state tax. Your individual additional tax is based on your specific tax rates.

To see the impact on your pay check to go www.paycheckcity.com and enter your specific information.