



Department of Civil Service

ANDREW M. CUOMO
Governor

December 3, 2015

SALLY SAMPLE
515 WOOD RD
ALBANY, NY 12239

Dear NYSHIP Enrollee:

Our records indicate that you are currently enrolled with family coverage in the New York State Health Insurance Program (NYSHIP) and you are covering a domestic partner. Upon enrolling your domestic partner in NYSHIP, you completed a Dependent Tax Affidavit advising us that your partner does not qualify as your dependent under Internal Revenue Code Section 152. In addition, our records indicate that you have elected to enroll in the Pre-Tax Contribution Program (PTCP), which allows deductions for your health insurance premiums to be taken on a pre-tax basis. Currently, your entire family health insurance premium is deducted from your wages prior to the withholding of taxes.

In order to comply with the IRS regulations regarding the tax treatment of health insurance premiums, plans such as NYSHIP only allow for pre-tax deductions for coverage provided to federally-qualified dependents. Beginning with the first health insurance payroll deduction taken in 2016, only the enrollee portion of your premium will be deducted on a pre-tax basis. The additional portion of the premium you pay for dependent coverage will be taken on a post-tax basis. Please note, even if you cover other federally qualified dependents (such as one or more children), the premium attributable to dependent coverage must be deducted on a post-tax basis if you cover a non-federally qualified dependent.

In addition, you will continue to be responsible for reporting and paying federal tax on any imputed income resulting from benefits extended to a non-federally qualified dependent. The amount of imputed income is based upon the fair market value of a NYSHIP individual policy for the option in which you are enrolled. If you are issued a biweekly paycheck from New York State, your imputed income is added to your wages and will be included as income on your W-2 at the end of the year. Any imputed income incurred while you are not receiving a paycheck will be reported at the end of the year on a 1099-MISC. You are required to include this income on your federal income tax reporting.

If you have any questions regarding this change and how it will affect your tax liability, please consult with a certified tax accountant or other qualified tax professional.

Sincerely,

Program Administration
Employee Benefits Division