



**Declaration that
Enrolled Dependent Meets
IRS Requirements for Tax-Favored
Health Premium Contributions**

Return completed form to **LANL Benefits Office:**

Fax: (505) 665-2156

Email: benefits@lanl.gov

Health Insurance Subscriber

Last Name	First Name	Z Number	Social Security Number
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Enrolled Dependent

Last Name	First Name	Z Number	Social Security Number
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You must complete one form for each enrolled dependent.

Declaration

I, a Triad Health Plan subscriber, have the dependent listed above enrolled on my Triad-sponsored health insurance coverage and certify that he or she meets all of the required IRS criteria, so the employer health premium contributions and/or deductions for this dependent will not result in imputed income and may qualify for other favorable tax treatment in accordance with federal and state law.

By signing this declaration, I certify that I understand that all of the following requirements for this dependent will be met for the current tax year under Internal Revenue Code (IRC) Sections 105 and 152.

1. I will live together (share our principal abode) with this enrolled dependent for the full taxable year from January 1 to December 31, except for temporary absences for reasons such as vacation, military service, or education.
2. This enrolled dependent is a U.S. citizen, U.S. national, or a resident of the U.S., Canada, or Mexico.
3. This enrolled dependent will receive more than half of his or her support from me during the current tax year.
4. This enrolled dependent is not my "qualifying child" nor anyone else's "qualifying child."

- I agree that I will notify the LANL Benefits Office within 31 days if there is any change in the circumstances attested to in this declaration, including any change that disqualifies this dependent as being eligible for LANL Health Plan benefits.
- I have read and understand the terms and conditions listed on the back of this declaration.
- I understand that falsely certifying such qualification could result in serious consequences, including termination from employment and/or legal action.
- I am aware that any change in family status may directly affect the calculation of my taxable income.
- I will submit this completed declaration to the LANL Benefits Office by the required deadline to have my payroll deductions for health benefits changed during the next applicable pay period.

I declare under penalty of perjury the foregoing is true and correct.

Signature/Date

Note: Triad employees are not authorized to give tax advice. Please consult with your personal tax advisor if you have any questions.

Note: This form shall be protected as LANL Employment Sensitive and/or LANL Employment Sensitive/PII when one or a combination of the following personal information items is revealed in a LANL record: education, salary, medical history, employment history, social security number, date and place of birth, or mother's maiden name.

Declaration that Enrolled Dependent Meets IRS Requirement for Tax-Favored Health Premium Contributions

Terms and Conditions

By signing the front of this form you agree you understand and abide by the following:

Dependents for Federal Income Tax Purposes

LANL distinguishes between a Medical Dependent and an extended family member because of the way current tax law requires employers to treat the value of benefits provided to Medical Dependents. In most cases, a Medical Dependent will not satisfy the definition of dependent under the Internal Revenue Code. As a result, the law requires LANL to report the entire value of your Medical Dependent's health care coverage (often referred to as "imputed income") as taxable income to you and the contribution you pay for this coverage must be on an after-tax basis.

Alternatively, if your Medical Dependent and/or his/her eligible dependent children qualify as your dependents under IRC Section 152 (as modified by Code 105(b)), LANL costs for their benefits are not considered taxable income to you. Generally, to qualify as an IRC Section 152 (as modified by Code 105(b)) dependent of an employee during a given tax year, the Medical Dependent and their children must be a "qualifying relative" of the employee, as defined by the IRS. To be considered an IRS "qualifying relative", the Medical Dependent must meet the following requirements:

1. Have the same principal place of abode as the employee for the full tax year (January 1 through December 31), except for temporary absences such as vacation, military service, or education. If during the year, Medical Dependent eligibility status ceases other than on December 31, for reasons other than the death of the Medical Dependent, the tax exclusion is lost for the entire year. If the eligibility ends due to the death of the Medical Dependent, the Medical Dependent would continue to be treated as a dependent for the entire tax year.
2. Receive more than half of his or her support from the employee.
3. Be a U.S. citizen, U.S. national, or a resident of U.S., Canada, or Mexico; and,
4. Not be the employee's (or anyone else's) "qualifying child" as defined under Internal Revenue Code Section 152.

(Note of caution: *Even if your domestic partner qualifies as your dependent for medical plan purposes, the child of your domestic partner may not qualify as your tax dependent. This is because the child is often the qualifying child of the domestic partner. Please be sure to review these rules carefully before certifying that the coverage of the child does not have to be imputed into your income for tax purposes.*)

The rules for determining support are complicated and are more involved than just determining who the "primary breadwinner" in the household is. Internal Revenue Service (IRS) Publication 17 includes a worksheet to assist taxpayers in evaluating whether they may provide, or are expected to provide, more than one half of an individual's support. **Because this area of tax law can change, and because the situation of every employee is different, employees are strongly encouraged to consult with a tax advisor before declaring that a Medical Dependent satisfies each of the above requirements to be considered a qualifying relative as defined by the IRS.**

An employee wishing to claim his or her Medical Dependent, and/or their Medical Dependent's children, as tax dependents for insurance purposes under IRS Section 152 must complete and sign this declaration of tax status form. **Please note that Section 152 dependent status must be re-declared and a new declaration of tax status form must be filed with HR-Benefits Service Center each tax year.**

Triad will assume your Medical Dependent (and/or their children) DOES NOT qualify as your tax dependent for tax-free lab sponsored health insurance unless a declaration of tax status form is completed and submitted to Triad HR-Benefits Service Center each year by required deadlines.

Required Retroactive Tax Treatment and Mid-Year Changes

The Declaration of Tax Status Form requires the employee to anticipate the dependency status of their Medical Dependent or Medical Dependent's child for the upcoming year. It is important for employees to report any changes in dependency status during the year because IRC Section 152 requires a "look-back" at the dependency status at the end of each calendar year. Circumstances can change during the calendar year that could disqualify or qualify the Medical Dependent for the entire tax year. In these situations, a retroactive adjustment will be necessary. Some examples of status changes include the following:

Example 1 – An employee's Medical Dependent qualifies as an IRC Section 152 dependent on January 1 and the employee submits a Declaration of Tax Status Form at the start of the year. Midway through the year, the Medical Dependent begins employment such that the employee is no longer providing more than one half of the Medical Dependent's total support and the Medical Dependent ceases to qualify for the remainder of the year. The Medical Dependent remains eligible for coverage, but this change requires treating the coverage provided for the Medical Dependent as taxable to the employee (subject to federal income tax, social security, and Medicare taxes) for the entire year.

Example 2 – The employee is uncertain if their Medical Dependent will qualify as an IRC Section 152 dependent at the start of the year and does not submit a Declaration of Tax Status Form to the LANL Benefits Office. Imputed income for the Medical Dependent's coverage is added to the employee's gross income each pay period for the purposes of calculating federal and state income taxes and for Social Security and Medicare taxes. However, midway through the year the employee's tax advisor determines that the Medical Dependent actually will qualify as an IRC Section 152 dependent of the employee for the entire year and the employee submits a Declaration of Tax Status Form to the LANL Benefits Office. This requires that the imputed income of the Medical Dependent's coverage not be treated as taxable income to the employee for the entire year. To correct for incorrect treatment prior to notification, Social Security and Medicare taxes already withheld on the imputed income of the Medical Dependent's coverage during the year will be refunded. However, the Federal and State income taxes already withheld on the imputed income of the Medical Dependent's coverage during the year will remain in the employee's withheld income tax accounts and will be reported as withheld income taxes on his/her W-2 form due to LANL current practice of taxable income adjustments.

Example 3 – The employee reports that as of July 1, their Medical Dependent lost their job and the employee will now be providing over one half of their Medical Dependent's total support. This

requires no changes or corrections, as the Medical Dependent must qualify for the entire year in order to receive favorable tax treatment.

Example 4 – An employee's Medical Dependent qualifies as an IRC Section 152 dependent on January 1, and the employee submits a Declaration of Tax Status Form at the start of the year. The Medical Dependent continues to qualify as an IRC Section 152 dependent until her death on August 15. The Medical Dependent's death does not change her status for the portion of the year during which she was alive and no adjustments will be necessary.

Example 5 – an employee adds their Medical Dependent to their coverage on November 1 as their Medical Dependent has now shared the employee's primary residence for the previous 6 continuous months and is newly eligible for enrollment. The employee improperly submits a Declaration of Tax Status Form at the same time. The Declaration of Tax Status Form is rejected because to qualify as an IRS Section 152 dependent, the Medical Dependent must have the same principal place of residence as the employee for the full tax year (January 1 through December

31). In this case, the Medical Dependent did not begin sharing the employee's residence until May 1. Imputed income for the Medical Dependent's coverage will be added to the employee's gross income each pay period in November and December for the purposes of calculating federal and state income taxes and for Social Security and Medicare taxes.

Requested Documentation

LANL reserves the right to require proof of tax dependency upon request. When you sign this form, you agree to provide such documentation upon request.

Final Word

When you sign and submit this form, you are stating that:

1. You certify that your Medical Dependent, and/or his/her children, do or will qualify as eligible tax dependents for employee sponsored benefit purposes under Section 152 (as modified by Code 105(b)) of the Internal Revenue Code for the entire current tax year. You agree you will notify the LANL Benefits Office immediately if there is a change in your situation that disqualifies your Medical Dependent as an eligible IRS dependent for employer sponsored benefits.
2. You have read and understand the terms and conditions listed above.
3. You understand that falsely certifying such tax dependency could result in potential charges of tax fraud.
4. You are aware that any change in your family status may directly impact the calculation of your taxable income. You agree to notify the LANL Benefits Office if there is any change in the circumstances attested to in this declaration within 31 days of the change.
5. You understand that willful falsification of information on this declaration may result in serious consequences, including loss of benefits, appropriate legal action or disciplinary action up to and including discharge.
6. You affirm under penalty of perjury that the preceding statements are true and correct to the best of your knowledge.