



## **When are Legally Domiciled Adult Benefits Taxable?**

The health benefits of Legally Domiciled Adults (LDAs) are only subject to Federal income tax in certain circumstances. This informational form provides some information about when LDA health benefits are taxable. Michigan Catholic Conference (MCC) and your employer do not provide tax advice and if you have questions or concerns, you should contact a tax advisor or accountant.

### **TAX DEFINITIONS:**

**Pre-Tax** means the payments for LDA health benefits are taken out of your paycheck before your employment taxes are paid and before income taxes are withheld.

**Post-Tax** means the payments for LDA benefits are taken out of your paycheck after employment taxes are paid and after income taxes are withheld.

**Not Taxable** means the LDA health benefits are not subject to Federal income taxes.

**Taxable** means the LDA health benefits are benefits subject to Federal income taxes.

### **Spouse**

A person to whom you are legally married. You are legally married to someone if you have taken the steps required to obtain a civil marriage license from the state or country in which you were married.

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### **Who is a Dependent?**

Health benefits for dependents (described as “exemptions”) are not subject to federal income taxes. Exemptions include Qualifying Child and Qualifying Relative.

### **Qualifying Relative.**

A Qualifying Relative is someone who meets the following four conditions:

1. The individual is any of the following: (a) your child or a dependent of one of your children; (b) your brother, sister, stepbrother or stepsister; (c) your father, mother or an ancestor of your father or mother; (d) your stepfather or stepmother; (e) the sons and daughters of your brothers and sisters; (f) the brothers and sisters of your father and mother; (g) your son-in-law, daughter-in-law, father-in-law, brother-in-law or sister-in-law; or (h) an individual who is

not your spouse, but who has the same principal place of abode as you and is a member of your household.

2. Their gross income is under \$4,050 in 2016 (this amount is annually adjusted and may be different in future years).
3. That you provide at least 50% of their support for the calendar year.
4. Your LDA is not a Qualified Child. Qualified Child is defined below.

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### **Qualified Child**

A term used by the tax code when the child meets the following conditions:

1. Is either your child or the child of your brother, sister, stepbrother, stepsister or a descendant of any of these individuals.
2. Lives at the same location as you for at least 50% of the year.
3. Is one of the following: (a) will be 18 years old or younger on December 31 of the current calendar year, (b) if a student, will be 23 or younger on December 31 of the current calendar year or (c) is permanently and totally disabled.
4. The child does not provide more than 50% of its own support for the calendar year.
5. Has not filed a Federal income tax return jointly with a spouse.

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### **What if my LDA is not a Dependent?**

If your LDA is not a Dependent (Spouse, Qualifying Relative or Qualified Child), the health benefits to that LDA must be paid for on a Post-Tax basis and will be Taxable. Although the payment and taxation of the benefits may differ from those of Dependents, the health benefit will be the same.

**Post-Tax:** Payments for LDA benefits are taken out of your paycheck after employment taxes are paid and after income taxes are withheld.

**Taxable:** Means the LDA health benefits are benefits subject to Federal income taxes.

### **How many LDAs can I have?**

You may have only one LDA.

### **If I have a spouse, can I select someone else to be my LDA?**

Yes, your employer provides only LDA health benefits coverage, not coverage specific to a spouse. You may elect to cover any one person who would satisfy the requirements of being an LDA. If you have a spouse and elect to cover someone else, that choice may have tax consequences, financial consequences or both. MCC and your employer do not provide tax or legal advice and you should contact your tax advisor, accountant or lawyer.

**Are my children LDAs and are they subject to the one LDA limit?**

A child could be an LDA. However, in most circumstances, your child or children will be covered as an Eligible Child rather than an LDA. An Eligible Child is any child who is your natural born or legally adopted child who is under the age of 26 or permanently and totally disabled. You may enroll as many Eligible Children as you currently have. You may also enroll one child who is not an Eligible Child as your LDA, if that child meets the requirements of being an LDA.