



BENEFIT ELIGIBILITY FOR ADULT CHILDREN UP TO AGE 27

GENERAL QUESTIONS ABOUT BENEFIT ELIGIBILITY FOR ADULT CHILDREN UP TO AGE 27

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GENERAL QUESTIONS ABOUT BENEFIT ELIGIBILITY FOR ADULT CHILDREN UP TO AGE 27

1. What is the change and when is it effective?

Pursuant to Wis. Stat. § 632.885, you can request coverage for your adult child as a dependent on your policy when your child is not married and is not eligible for group health insurance through his/her own employer for which his/her premium contribution is less than the additional premium amount you are required to pay to insure your adult child on your policy. Coverage for your eligible adult child is effective beginning January 1, 2010 and continues **to the end of the month in which he/she turns 27 years of age** or otherwise loses eligibility (for example, gets married), whichever occurs first.

To determine if your adult child is eligible, ask yourself these questions:

- 1) Is your child married?
 - If no, continue with the next question to determine if your child is eligible.
 - If yes, STOP. Your child is NOT eligible.
- 2) Is your child less than 27 years of age?
 - If no, STOP. Your child is NOT eligible under this provision. However, see question 14 for information on eligibility for adult children that are 27 years of age and older.
 - If yes, continue with the next question to determine if your child is eligible.
- 3) Is your child employed?
 - If no, your child IS eligible. See questions 7 and 8 for information on covering your child on your policy.
 - If yes, continue with the next question to determine if your child is eligible.
- 4) Is your child eligible for health insurance through his/her employer?
 - If no, your child IS eligible. See questions 7 and 8 for information on covering your child on your policy.
 - If yes, continue with the next question to determine if your child is eligible.

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- 5) Determine your child’s monthly premium contribution for the health insurance through his/her employer. Compare that to the additional premium amount you are required to pay to insure your adult child on your policy.
- If you need family coverage regardless of whether you choose to cover your adult child because you have other eligible dependents on your policy, you do not have to pay an additional premium amount to insure your adult child. If your child’s premium cost is more than \$0, your child IS eligible. See questions 7 and 8 for information on covering your child on your policy.
 - If you only need family coverage if you choose to cover your adult child because you have no other eligible dependents, your additional premium amount to insure your adult child is the difference in what you pay for single and family coverage. If your child’s premium cost is more than the additional amount you are required to pay for family coverage, your child IS eligible.

Example 1: You receive an employer contribution for health insurance and your contribution share is \$34 for single coverage and \$85 for family coverage. The additional premium amount that you are required to pay for family coverage is \$51 (\$85 - \$34).

Example 2: You do not receive an employer contribution and you pay the full premium. The premium for single coverage is \$575 and the premium for family coverage is \$1440. The additional premium amount that you are required to pay for family coverage is \$865 (\$1440 - \$575).

Note that if your adult child is not your tax dependent for income tax purposes, the fair market value (FMV) of the benefit for that insured dependent may be considered imputed taxable income to you if you receive any employer contribution towards the premium, including the use of sick leave credits. See questions 15 through 21 for more information.

2. Does this apply to all the benefit programs?

No. This applies only to the following programs:

- Health Insurance
- Optional Dental, Excess Medical, AD&D (EPIC) – Available to State members only
- Optional Dental (Anthem DentalBlue) – Available to State members only
- Optional Vision Plan (VSP) – Available to State members only

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3. My adult child is 18 years old and in high school. He/she works part-time. Do I need to check with his/her employer to see if he/she is eligible for health insurance?

No. Dependent children remain eligible to the end of the year in which they turn 19 years of age as long as they are not married and you or the other parent provides at least 50% of their support. After

that, they can be covered on your insurance policy if they meet the eligibility requirements as explained in question 1.

4. Does this mean I can cover my adult child even if he/she is not a full-time student and/or has a job?

Yes, as long as your adult child is less than 27 years of age, is not married, and is not eligible for group health insurance through his/her employer where his/her premium contribution is less than the additional premium amount you are required to pay to insure your adult child on your policy.

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5. My adult child has insurance through his/her employer but the benefits are not good. Can I cover him/her on my insurance?

The benefit level of your child's health insurance has no impact on your child's eligibility under this new law. If your adult child has group health insurance through his/her employer and your child's premium contribution is more than the additional premium amount you are required to pay to insure your adult child on your policy, you can cover your adult child on your insurance if he/she is less than 27 years of age and is not married.

6. My adult child is on COBRA continuation coverage. Can I cover him/her on my insurance?

Yes, as long as your adult child is less than 27 years of age, is not married, and if employed, is not eligible for health insurance through his/her current employer where the premium contribution is less than the additional premium amount you are required to pay to insure your adult child on your policy. COBRA continuation coverage is not considered group health insurance through your adult child's employer for purposes of determining eligibility under this new provision.

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7. What do I need to do to add my eligible adult child to my policy for coverage effective January 1, 2010?

If your eligible adult child is not currently insured on your policy, you must submit an application before December 31, 2009, to change from single to family coverage or to add your adult child. Coverage for your child will be effective January 1, 2010.

NOTE: After January 1, you can add your adult child upon any of the following qualifying events:

- *Adult child's loss of other coverage*
- *Loss of employer contribution for adult child's other coverage*
- *Increase in adult child's employee contribution share that exceeds the additional premium amount you are required to pay to insure your adult child on your policy*
- *Adult child's divorce*

You must submit the application to add your adult child within 30 days of the qualifying event. If there is no qualifying event, you can still add your adult child, but coverage is limited to the Standard Plan with a 180-day waiting period for pre-existing conditions. The waiting period applies to your newly added dependent(s). Establishing full-time student status and a change in tax dependent status are not considered qualifying events. The Frequently Asked Question section in the It's Your Choice: Reference Guide booklet provides information regarding qualifying events.

8. If my adult child is currently covered on my policy, do I need to do anything?

Yes, you must still request coverage for your adult child in 2010. You will receive a questionnaire from your current health plan after the health insurance enrollment period asking about your adult child's eligibility and tax dependent status. Complete and return the form to your current health plan. If you do not return the questionnaire to your health plan, *your adult child will not be covered effective January 1, 2010*, and may not later be covered unless your adult child has a qualifying event. See questions 9 and 11 for more information.

9. My adult child is not eligible according to this information. What happens if he/she becomes newly eligible during the year because of losing his/her job, losing employer contribution for health insurance or getting a divorce?

If your child has a qualifying event that results in him/her becoming newly eligible, you can add the child to your policy by submitting an application within 30 days of the event. Your child's coverage will be effective as of the event date. Loss of other coverage, losing employer contribution for group health insurance or getting a divorce is a qualifying event.

10. You did not mention full-time student status in question 9. Can I add my adult child to my health insurance policy if he/she goes back to school full-time?

No, not by itself. There must be another event that results in him/her becoming newly eligible. Refer to the Frequently Asked Question section in the *It's Your Choice: Reference Guide* booklet for information on qualifying events. There is one exception and that is for adult children that are 27 years or older who were called to federal active duty before the age of 27 and while they were full-time students. Refer to question 14 for more information.

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11. If I do not add my eligible adult child to my policy for coverage effective January 1, 2010, will I have any opportunities in the future to add him/her without restrictions?

Each year during the annual It's Your Choice enrollment period, you will have the opportunity to add your eligible adult child for the next calendar year with coverage effective the following January 1. In

addition, if your adult child has a qualifying event, you can add your newly eligible adult child by submitting an application within 30 days of the event. See question 9 for more information.

Revised 11/11 **12. If I add my adult child to my family policy, can I later drop him/her from the policy even though he/she is eligible?**

Each year during the It's Your Choice enrollment period, you can decide if you wish to cover your adult child for the next calendar year. If you elect to cover your child, your child is covered for the entire upcoming calendar year or until the child loses eligibility or family coverage is terminated, whichever occurs first. For example, if your insured adult child gets married in June, your child loses eligibility at the end of the month in which he/she marries. You must timely report the loss of your adult child's eligibility to your employer so that your child has the right to elect COBRA continuation coverage. You may also drop your adult child from your policy if he/she has an initial enrollment opportunity and elects health insurance coverage through his/her employer.

13. My adult child is eligible according to this information. My adult child has children (my grandchildren). Can I also cover those grandchildren?

No. There is no change to the provision for covering grandchildren, which provides coverage for grandchildren until the end of the month in which their parent (your dependent child) turns 18.

Revised 10/29 **14. I have an adult child that is 27 years of age or older. Can I cover him/her on my insurance?**

Your adult child that is not married is eligible to be covered on your insurance when he/she is 27 years of age or older when he/she is:

- Incapable of self-support because of a physical or mental disability that can be expected to be of long-continued or indefinite duration as determined by the health plan and is dependent on either parent for at least 50% of their support and maintenance as demonstrated by the support test for federal income tax purposes, whether or not the child is claimed. *Note that among other criteria, the IRS requires the dependent to be permanently and totally disabled in order to be a "tax dependent". See questions 15 through 21 for more information.*
- A full-time student who was previously called to federal active duty when the child was under the age of 27 years and while the child was attending, on a full-time basis, an institution of higher education. The child must apply to an institution of higher education as a full-time student within 12 months from the date the child has fulfilled his/her active duty obligation.

TAXES

15. How does the addition of my adult child to my group insurance affect my income taxes?

If your adult child is not considered a "tax dependent" under federal law, your employer must include in your gross income the fair market value of the health insurance benefits provided to the adult child.

This will likely affect your taxable income and increase your tax liability. Unless your adult child qualifies as a dependent under the Internal Revenue Code (IRC) § 152, you are taxed on the fair market value of the cost of coverage provided to that adult child. This is known as “imputed income.”

16. My insurance premium is deducted on a pre-tax basis. How is that affected?

Your health insurance premium will continue to be taken pre-tax, however, the fair market value of the portion of the coverage attributable to a dependent who does not qualify as a dependent under IRC Section 152 will be calculated and added to the employee’s gross pay as taxable income.

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17. What is the fair market value of the portion of coverage attributable to a dependent and how was it calculated?

This information is posted on the Department of Employee Trust Funds web site at http://etf.wi.gov/employers/benefit_programs_imputed_income.htm. It is also available from your employer. The Group Insurance Board’s actuaries used the average number of dependents covered per contract to calculate the fair market value per month for a dependent for each health plan in this program. These amounts are published on the Department of Employee Trust Funds web site. Your employer will also have this information. See questions 15 through 21 for more information on potential tax consequences when covering adult children on your policy.

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18. How can I determine if my adult child qualifies under the Internal Revenue Code as my tax dependent?

Consult the guidelines in IRS Publication 501 for “qualifying child” or “qualifying relative.” For example, the IRS requires that a qualifying child meet five tests:

- The child must be your son, daughter or stepchild
- The child must be
 - (a) under age 19 at the end of the year,
 - (b) under age 24 at the end of the year and a full-time student, or
 - (c) any age if permanently and totally disabled.
- The child must have lived with you for more than half of the year
- The child must not have provided more than half of his/her own support for the year
- If the child meets the rules to be a qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child.

The IRS requires that a qualifying relative meet four tests:

- The person cannot be your qualifying child or the qualifying child of any other taxpayer.
- The person either (a) must be related to you in one of the ways listed under *Relatives who do not have to live with you*, or (b) must live with you all year as a member of your household (and your relationship must not violate local law).
- The person’s gross income for the year must be less than \$3,500.

- You must provide more than half of the person’s total support for the year.

These tests are described in detail in IRS Publication 501, which is available at the web site of the Internal Revenue Service. In addition, you may wish to consult with your tax advisor.

NOTE: And individual who meets the criteria of a “qualifying child” or “qualifying relative” must also meet the definition of “DEPENDENT” under the Uniform Benefits contract to be covered on your health insurance policy.

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19. I reviewed the information and determined that my adult child is not my tax dependent. Can I still cover him/her on my health insurance?

Yes, as long as your adult child is less than 27 years of age, is not married, and if employed, is not eligible for health insurance through his/her current employer where the premium contribution is less than the additional premium amount you are required to pay to insure your adult child on your policy. However, the fair market value of the benefit for that insured dependent may be considered imputed taxable income to you if you receive any employer contribution towards the premium, including the use of sick leave credits.

20. What actions can I take to prevent imputed income if I can prove that my adult child is my tax dependent under federal law?

If you are an active employee and your adult child is indeed your tax dependent, you should contact your employer’s payroll and benefits specialist to determine what documentation is required to prevent imputed income. If you are retired, please contact the Department of Employee Trust Funds Payments Section.

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21. If my adult child is eligible but is a non-tax dependent, I will be subject to imputed income. I do not want to pay the taxes so do I have to cover him/her on my family policy?

You are not required to cover your eligible adult child. This new state law provides that you must request coverage for your eligible adult children. However, if you do not request coverage for your eligible adult child and later wish to add him/her to your policy, you can only do so during the annual It’s Your Choice enrollment period for coverage effective the following January 1 or within 30 days of a qualifying event. See question 9 for more information. Otherwise, you can add your eligible adult child but coverage will be limited to the Standard Plan and the newly added child will have a 180-day waiting period for pre-existing conditions.