

TAXATION OF OTHER ELIGIBLE INDIVIDUAL BENEFITS FOR RETIREES
January 1 - December 31, 2023

IRS regulations require the University to tax the fair market value of University-provided health and dental benefits for the Other Eligible Individual. The IRS defines fair market value of a fringe benefit as the amount that an individual would have to pay for the fringe benefit in an arm's length transaction. This means what you would have to pay for an individual policy for your Other Eligible Individuals in the open market.

Use the chart on the reverse side to determine the taxable amount to you resulting from the addition of an Other Eligible Individual(s) to your health and/or dental coverage. This amount will be added to your taxable gross income.

To estimate the increase in your taxable income and the resulting tax increase, please follow the instructions below:

Add together the monthly taxable amounts for Health and Dental from the chart on the reverse side. This will give you the increase to your taxable gross income. Multiply this by your estimated tax rate from the following chart to determine the approximate monthly tax you will pay for health and dental benefits.

FEDERAL TAX BRACKET	PLUS: STATE TAX RATE	TOTAL TAX RATE
12%	4.25%	19.25%
22%	4.25%	29.25%
24%	4.25%	32.25%

Example 1: If you are a retired faculty member, not on Medicare, with Humana MSU Non-Medicare PPO health coverage, Delta dental coverage, are in a 22% Federal tax bracket and are adding an Other Eligible Individual the following estimated tax would apply:

Health Plan Monthly Taxable Amount:	\$1,260.90
Dental Plan Monthly Taxable Amount:	<u>19.45</u>
Total Monthly Taxable Amount	\$1,280.35 (this amount will be taxable to you)
Times Total Tax Rate	<u>X 29.25%</u>
Amount of Monthly Tax Increase	\$374.50

Example 2: If you are a retired Administrative Professional, not on Medicare, with Humana Transition PPO health coverage, Aetna dental coverage, are in a 12% Federal tax bracket and are adding Other Eligible Individuals (2), one individual with Medicare and the other individual not on Medicare, the following estimated tax would apply:

Health Plan Monthly Taxable Amount:	\$650.78
Dental Plan Monthly Taxable Amount:	<u>58.41</u>
Total Monthly Taxable Amount	\$709.19 (this amount will be taxable to you)
Times Total Tax Rate	<u>X 19.25%</u>
Amount of Monthly Tax Increase	\$136.52

Note: If you live in a municipality with a local tax (e.g. Lansing), you will also need to consider that tax in your calculation. MSU will provide you with an IRS form 1099 in January for the prior calendar year's taxable amount for the Other Eligible Individual's health and dental benefits.

**OTHER ELIGIBLE INDIVIDUAL HEALTH AND DENTAL PLAN TAXABLE AMOUNTS
FOR RETIRED FACULTY AND STAFF JANUARY 1 – DECEMBER 31, 2023**

HEALTH

ADDING	HUMANA GROUP MEDICARE ADVANTAGE PPO (All on Medicare)	HUMANA TRANSITION PPO (Mix Medicare/NonMedicare)	HUMANA MSU NON-MEDICARE PPO (No Medicare Contracts)
OEI#	\$ 117.49	\$ 117.49	\$ 1,260.90
OEI & Child#	\$ 234.98	\$ 650.81	\$ 2,521.80
OEI& Children#	\$ 352.47	\$ 1,234.07	\$ 3,656.61
Child Only##	\$ 117.49	\$ 533.32	\$ 1,260.90
2 Children##	\$ 234.98	\$ 1,116.58	\$ 2,521.80
3 or More Children##	\$ 352.47	\$ 1,299.65	\$ 3,656.61

DENTAL

ADDING	DELTA	AETNA
OEI	\$ 19.45	\$ 30.79
OEI & Child	\$ 37.22	\$ 58.41
OEI & Children	\$ 60.85	\$ 97.32
Child Only	\$ 19.45	\$ 30.79
2 Children	\$ 37.22	\$ 58.41
3 or More Children	\$ 60.85	\$ 97.32

- * Determine health/dental plan (i.e. Humana Medicare, Transition, Non-Medicare, Delta etc.)
- * Determine whom you are adding (i.e.OEI, OEI and child etc.)
- * Based on these factors find your taxable amount
- * Remember to determine the taxable amount for both health and dental coverage if you are adding an OEI to both plans
If you or your OEI have Medicare, contact MSU Human Resources Benefits for further information on how this may affect your taxable amounts
- # For Humana Transition, OEI being added has Medicare, retiree does not
- ## For Humana Transition, retiree has Medicare, child or children being added do not