

TAXATION OF OTHER ELIGIBLE INDIVIDUAL (OEI) BENEFITS
RETIRED FACULTY & STAFF
JANUARY 1 – DECEMBER 31, 2026

IRS regulations require the University to tax the fair market value of University-provided health and dental benefits for Other Eligible Individuals. 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 Individual in the open market.

Use the chart below to determine the taxable amount to you resulting from the addition of an Other Eligible Individual 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 below. This will give you the increase in 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
12.00%	4.25%	16.25%
22.00%	4.25%	26.25%
24.00%	4.25%	28.25%

Example 1 – If you are a retired faculty/academic staff member, not on Medicare, with the MSU Non-Medicare Plan for health coverage, Delta Dental Base Plan for 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:	\$1,358.21
Dental Plan Monthly Taxable Amount:	<u>\$21.66</u>
Total Monthly Taxable Amount:	\$1,379.87
Total Tax Rate – 26.25%	<u>0.2625</u>
Amount of Monthly Increase	\$362.22

Example 2 – If you are a retired support staff member, not on Medicare, with the MSU Transition Plan for health coverage, Aetna Premium DMO for dental coverage, are in a 12% federal tax bracket, and are adding two (2) Other Eligible Individuals (one with Medicare and one without Medicare), the following estimated tax would apply:

Health Plan Monthly Taxable Amount:	\$867.58
Dental Plan Monthly Taxable Amount:	<u>\$64.27</u>
Total Monthly Taxable Amount:	\$931.85
Total Tax Rate – 16.25%	<u>0.1625</u>
Amount of Monthly Increase	\$151.43

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 (OEI) HEALTH & DENTAL TAXABLE AMOUNTS
RETIRED FACULTY & STAFF
JANUARY 1 – DECEMBER 31, 2026

HEALTH			
ADDING	MSU MEDICARE ADVANTAGE PLAN (All on Medicare)	MSU NON-MEDICARE PLAN (No Medicare Contracts)	MSU TRANSITION PLAN (Mix of Medicare & Non-Medicare)
OEI ¹	\$242.08	\$1,358.21	\$242.08
OEI & Child ¹	\$484.16	\$2,716.43	\$867.58
OEI & Children ¹	\$726.24	\$3,938.82	\$1,569.65
Child Only ²	\$242.08	\$1,358.21	\$625.50
2 Children ²	\$484.16	\$2,716.43	\$1,327.57
3 or More Children ²	\$726.24	\$3,938.82	\$1,549.29

¹ For the MSU Transition Plan, OEI being added has Medicare, Retiree does not.

² For the MSU Transition Plan, Retiree has Medicare, child or children being added do not.

DENTAL			
ADDING	AETNA PREMIUM DMO (PLAN 67)	DELTA DENTAL BASE PLAN	DELTA DENTAL PREMIUM PLAN
OEI	\$33.89	\$21.66	\$45.07
OEI & Child	\$64.27	\$41.45	\$86.08
OEI & Children	\$107.10	\$67.78	\$141.07
Child Only	\$33.89	\$21.66	\$45.07
2 Children	\$64.27	\$41.45	\$86.08
3 or More Children	\$107.10	\$67.78	\$141.07

- Determine your health and/or dental plan (i.e. MSU Medicare Advantage Plan, Aetna Premium DMO, etc.).
- Determine whom you are adding (i.e. OEI, OEI & 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, please contact MSU Human Resources at SolutionsCenter@hr.msu.edu or 517-353-4434 (toll-free: 800-353-4434) for further information on how this may affect your taxable amounts.