

**TAXATION OF OTHER ELIGIBLE ADULT INDIVIDUAL (OEAI) BENEFITS
FOR FISCAL YEAR 2013-2014**

The purpose of this document is for estimating taxes associated with adding an OEAI. Your taxation may vary as this is only a rough estimate. If you have questions about the tax implications of enrolling in OEAI benefits, you should contact an accountant or attorney for specific guidance.

In accordance with IRS regulations, State of Michigan employees are responsible for paying taxes associated with the fair-market value of enrolling an OEAI and the OEAI's dependents. Fair-market value means what you would have to pay for an individual policy for your OEAI and their dependents in the open market.

Use the charts below to determine the approximate taxable amount you will pay as a result of adding an OEAI to your health coverage. This amount will be added to your taxable gross income and associated taxes will be withheld through payroll on a bi-weekly basis.

Federal Tax Bracket	Plus State Tax Rate	Plus FICA Tax Rate ¹	Total Tax Rate ²
15%	4.25%	7.65%	27%
25%	4.25%	7.65%	37%
28%	4.25%	7.65%	40%
33%	4.25%	7.65%	45%
35%	4.25%	7.65%	47%

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

Determine the Bi-weekly Taxable Amounts for health insurance based on the chart below. This will give you the approximate increase to your taxable gross income.

Health Plans	Hired Prior to 4/1/2010		Hired After 3/31/2010	
	OEAI ³	OEAI & Dependents ³	OEAI ³	OEAI & Dependents ³
State Health Plan PPO	\$ 357.75	\$ 629.64	\$ 316.85	\$ 557.68
Blue Care Network, Mid-Michigan	\$ 352.05	\$ 619.60	\$ 307.79	\$ 541.73
Blue Care Network, East Michigan	\$ 333.04	\$ 586.16	\$ 294.67	\$ 518.63
Blue Care Network, Great Lakes West	\$ 354.34	\$ 623.63	\$ 313.30	\$ 551.43
Blue Care Network, Southeast Michigan	\$ 342.51	\$ 602.82	\$ 302.48	\$ 532.38
Grand Valley Health Plan	\$ 462.88	\$ 814.67	\$ 201.48	\$ 354.62
Health Alliance Plan	\$ 311.77	\$ 550.50	\$ 265.27	\$ 468.40
HealthPlus of Michigan	\$ 327.73	\$ 576.80	\$ 277.68	\$ 488.73
McLaren Health Plan	\$ 286.66	\$ 504.53	\$ 237.68	\$ 418.31
Physicians Health Plan	\$ 332.24	\$ 584.73	\$ 226.73	\$ 399.04
Priority Health (East, South & West)	\$ 351.26	\$ 618.21	\$ 284.28	\$ 500.34
Total Health Care	\$ 247.42	\$ 446.20	\$ 227.29	\$ 409.88

Multiply your estimated Total Tax Rate by the Bi-weekly Taxable Amount to determine the approximate bi-weekly tax you will pay for health benefits for your OEAI.

Example 1: If you are an employee with State Health Plan PPO health coverage hired prior to 4/1/2010, are in a 25% Federal tax bracket, and are adding an OEAI, the following estimated tax would apply:

Health Plan Bi-Weekly Taxable Amount:	\$ 357.75
x Total Tax Rate:	x <u>.37</u>
Amount of Bi-Weekly Tax Withholding Increase	\$ 132.37

Example 2: If you are an employee with State Health Plan PPO health coverage hired after 3/31/2010, are in a 15% Federal tax bracket, and are adding an OEAI and at least one OEAI dependent, who is not otherwise your dependent, the following estimated tax would apply:

Health Plan Bi-Weekly Taxable Amount:	\$ 557.68
x Total Tax Rate:	x <u>.27</u>
Amount of Bi-Weekly Tax Withholding Increase	\$ 150.57

¹ The FICA Tax Rate is comprised of 6.20% for social security and 1.45% for Medicare. The social security rate was 4.20% in 2012.

² If you live in a municipality with a local tax (e.g. Lansing), you will also need to consider that tax in your calculation.

³ If you or your OEAI have Medicare, contact MI HR Service Center for further information on how this may affect your taxable amounts.

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