

**TAXATION OF OTHER ELIGIBLE ADULT INDIVIDUAL (OEAI) BENEFITS
FOR CALENDAR YEAR 2021**

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
10%	4.25%	7.65%	22%
12%	4.25%	7.65%	24%
22%	4.25%	7.65%	34%
24%	4.25%	7.65%	36%
32%	4.25%	7.65%	44%
35%	4.25%	7.65%	47%
37%	4.25%	7.65%	49%

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	OEAI	OEAI & Dependents
State Health Plan PPO ³	\$367.36	\$631.85
Blue Care Network	\$323.18	\$557.92
Health Alliance Plan	\$359.27	\$618.38
McLaren Health Plan	\$341.61	\$588.94
Physicians Health Plan	\$351.78	\$605.89
Priority Health	\$403.33	\$691.82

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, are in a 24% Federal tax bracket, and are adding an OEAI, the following estimated tax would apply:

Health Plan Bi-Weekly Taxable Amount:	\$ 367.36
Total Tax Rate:	x <u>.36</u>
Amount of Bi-Weekly Tax Withholding Increase	\$ 132.25

Example 2: If you are an employee with State Health Plan PPO health coverage, are in a 12% 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:	\$ 631.85
Total Tax Rate:	x <u>.24</u>
Amount of Bi-Weekly Tax Withholding Increase	\$ 151.64

¹ The FICA Tax Rate is comprised of 6.20% for social security and 1.45% for Medicare.

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 enrolled in the State Health Plan PPO, and the employee has Medicare, the approximate bi-weekly taxable amount that should be used in the calculation is \$293.89 for Employee & OEAI coverage or \$514.30 for Employee, OEAI & Dependent coverage.

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