



Tax Dependent Status

To properly set up your benefits, Gallagher requires you to indicate whether each of your family members (spouse, domestic partner, child, or other family member) you seek to enroll is considered a tax dependent under IRC Section 152. Loosely defined, a tax dependent is an individual that you can 'claim' as a dependent when you file your federal income taxes. Legal spouses are considered tax dependents; the tax dependent status of other family members can be determined using two other categories defined by the IRS, **Qualifying Child** and **Qualifying Relative**.

INSTRUCTIONS: Compare the two definitions below to the circumstances of each of your family members. If all of the criteria within one of the definitions apply to a family member, then you should identify that individual as your tax dependent when you add him/her to myHR and/or complete your benefits enrollment.

Definition 1: A **Qualifying Child** Tax Dependent is an individual who meets all of the following criteria:*

- bears a relationship** to a taxpayer; and
- has the same principal place of abode as the taxpayer for more than one-half of the taxable year; and
- is a U.S. citizen, U.S. national, or a resident of the U.S., Canada, or Mexico;*** and
- as of the end of the year, is younger than the taxpayer and is either under age 19 or between age 19 and 24 and a full-time student;**** and
- has not provided more than one-half of his/her own support during the year; and
- has not filed a joint tax return with his or her spouse for the year

*Special rules may apply if the individual meets all of the listed criteria for both you and another taxpayer.

**Relationship includes: 1) son or daughter, stepson or stepdaughter, eligible foster child, or descendant of any such individual; 2) brother or sister, half-brother or half-sister, stepbrother or stepsister, or descendant of any such individual; or 3) legally adopted child or child lawfully placed with the taxpayer for legal adoption.

***This requirement does not apply to an adopted child.

****This requirement does not apply to a child who is permanently and totally disabled.

This definition should only be used to determine the tax dependent status of children within your family; spouses, domestic partners, and other family members cannot be considered tax dependents under the **Qualifying Child** definition.

Definition 2: A **Qualifying Relative** Tax Dependent is an individual who meets all of the following criteria:

- bears a relationship* to a taxpayer; and
- has the same principal place of abode as the taxpayer for the year; and
- is a U.S. citizen, U.S. national, or a resident of the U.S., Canada, or Mexico;** and
- obtained more than one-half of his/her support during the year from the taxpayer; and
- is not a spouse or Qualifying Child of the taxpayer; and
- has a gross income less than the annual threshold set by the IRS***

*Relationship includes: 1) son or daughter, stepson or stepdaughter, eligible foster child, or descendant of any such individual; 2) brother or sister, half-brother or half-sister, stepbrother or stepsister, or niece or nephew; 3) father or mother, ancestor of father or mother, stepfather or stepmother, or aunt or uncle; 4) son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law; 5) legally adopted child or child lawfully placed with the taxpayer for legal adoption.; or (6) another individual who has the same principal place of abode as the taxpayer and is a member of the taxpayer's household during the year (other than a spouse) so long as the relationship between the taxpayer and individual does not violate local law.

**This requirement does not apply to a legally adopted child.

***This requirement does not apply to health plan coverage.

This definition can be used to determine the tax dependent status of any individual, including domestic partners and children.

The Impact of Tax Dependent Status on Benefit Eligibility & Enrollment

- 1) For Gallagher benefits, the eligibility of, and cost of coverage for, a spouse is unrelated to tax dependent status.
- 2) A child's eligibility for Gallagher's health plans (medical, dental, vision, supplemental health plans and flexible spending account) is based only on age. A child (as defined by the plans) can be covered until age 26 regardless of tax dependent status.
- 3) Eligibility for dependent child coverage under Gallagher's life insurance, Identity Protection, Group Legal and AD&D plans, however, is determined by a child's tax dependent status. To ensure that the proper benefit eligibility and enrollment options are

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available to you for dependent child coverage, you should identify your child as a tax dependent if he/she meets the criteria for Qualifying Child listed above.

- 4) If you enroll a Domestic Partner in medical or dental coverage, IRS regulations require that Gallagher's contribution toward the cost of your domestic partner's coverage will be included in your income on Form W-2 and taxed for any applicable federal, FICA, state, local, or other payroll taxes. If your domestic partner meets the criteria for Qualifying Relative listed above, this imputed income tax effect will not apply.
- 5) Current federal regulations also require that your contributions and/or premiums for domestic partner coverage be made on an after-tax basis unless you certify that your domestic partner qualifies as a tax dependent under IRC Section 152.
- 6) Just because an individual is your tax dependent does not automatically mean that they are eligible for Gallagher benefits. Consult the applicable summary plan description or plan documentation for details on eligibility.

For more information about the criteria required for tax dependent status, please send an email to HRSupport@ajg.com.

The information in this document is general and educational in nature; it is not, and should not be, considered legal or tax advice. You are encouraged to consult your own legal counsel or tax advisor with respect to an individual's tax dependent status. To the extent the information in this document pertains to employee benefit plans sponsored or maintained by Arthur J. Gallagher, if there is any conflict, discrepancy, or inconsistency between or among this document and the official plan documents, the official plan documents shall control.