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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) 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 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

*Relationship includes son or daughter, stepson or stepdaughter, legal adopted son or daughter, and eligible foster child.

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
- is a member of the taxpayer's household during the year; 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.
- income limit for other than health benefits

*Relationship includes a brother, sister, stepbrother or stepsister; father, mother or ancestor of either; stepfather or stepmother; son or daughter of a brother or sister of the taxpayer; brother or sister of the father or mother of the taxpayer; son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law.

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 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.

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

For US Employees