

CALIFORNIA SERVICE EMPLOYEES HEALTH and WELFARE TRUST FUND

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Telephone (213) 747-7551 • (877) HWCASRV • (877) 492-2778

TO: All Eligible Participants With Domestic Partner Coverage
FROM: Board of Trustees
RE: Taxes On Domestic Partner Coverage

The Trust Fund has allowed participants to cover qualified domestic partners as dependents under the health plan for many years. This notice will explain how federal and state taxes apply to Domestic Partner benefits.

Why Must the Participant Pay Taxes for Domestic Partner Benefits?

Because (in most cases) the Internal Revenue Service (IRS) does not consider a domestic partner as an eligible dependent for income tax filing purposes, the value of the benefits provided to a domestic partner is considered taxable income to the participant. Section 152 of the IRS code states that a domestic partner and his/her children can only be claimed as legal dependents in a tax year if they meet all of the criteria for the entire calendar year. Generally, the IRS definition of a dependent is someone who:

- Is a citizen, legal resident, or national of the US
- Is considered a member of your household and your home is their place of abode
- Is in a relationship with you that does not violate local laws
- Receives over half of his or her support from you

If a domestic partner does **not** qualify as a dependent under the above IRS rules for the entire year, the value of the benefits provided to the domestic partner must be reported as imputed income to you (the participant) and you must pay taxes on that income.

(You should consult a personal tax professional before you claim your domestic partner or your domestic partner's child(ren) as a dependent as defined by the Internal Revenue Code (IRC) Section 152 before filing your tax return.)

Instead of reporting the value of the domestic partner benefits to your employer to include on your W-2 form as income, the Trust Fund Office applies the applicable federal and state tax rates to the value of the benefits and bills you quarterly for the taxes, which it then remits to the government.

Each year, the Fund Office will send you a form W-2 showing the value of the coverage provided to your domestic partner (imputed income) for the year and the taxes you remitted to the Fund.

Note: If the Trust Fund billed you for imputed income taxes on the value of benefits provided to a domestic partner who did meet the IRC dependent definition for the year, any imputed income taxes you paid will be taken into account when your tax return is filed and your total tax due and refund, if any, are determined.

State Taxes

The state of California now allows for registration of domestic partners. If your domestic partner qualifies under the California regulations and you have registered the domestic partnership by filing a Declaration of Domestic Partnership with the California Secretary of State, you will not have to pay State taxes on the value of your domestic partner's coverage. Federal taxes will still apply.

Please note that the rules for establishing a domestic partnership with the State are more restrictive than the Trust Fund's rules. To register a domestic partner with the State of California, the partner must be:

- A same-sex partner; or
- An opposite-sex partner only if one of the partners is age 62 or older and qualifies for certain Social Security Disability benefits.

You can obtain a Declaration of Domestic Partnership Form (and more information on the requirements to register a domestic partner in California) at the offices of the Secretary of State in each County Clerk's office. Forms are also available online at www.ss.ca.gov/business/sf/sf_dp.htm

To avoid paying State taxes on the value of domestic partner coverage, you must send a registered copy of the California Declaration of Domestic Partnership to the Trust Fund Office. If this is not received, the Trust Fund will continue to bill you for both state and federal taxes.

If the required taxes are not paid, coverage for your domestic partner (and children of the domestic partner) will be terminated.

If you have any questions about this announcement, please call the Trust Fund Office.

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ELIGIBILITY RULES FOR DOMESTIC PARTNERS

1. Eligibility Rules. A person may become eligible as a domestic partner of an employee if all of the following requirements are met and application is properly made, as forth in #2 below:
 - a. The persons are each other's sole "domestic partner" and have been such for at least 6 consecutive months prior to the signing of the Application referred to in 2.a. below. Domestic partner means the persons reside together in the same residence, are jointly responsible for each other's common welfare and financial obligations and can submit proof of such relationship as may be required by the Trustees.
 - b. Neither person is married.
 - c. The persons are eighteen (18) years old or older.
 - d. The persons are competent to contract.
 - e. The persons are not related by blood closer than would prohibit legal marriage in the State of California.
 - f. Any prior domestic partnership of either person has been terminated not less than six (6) months prior to the date of the signing of the Application referred to in 2.a. below.

2. Application and Effective Date of Coverage.
 - a. Initial Application. An Initial Application for Domestic Partnership Coverage must be filed with the Trust Fund Office declaring the employee's intent to apply for domestic partnership coverage.
 - b. Within 30 days of the date of the filing of the Initial Application, a notarized Affidavit of Domestic Partnership must be filed with the Trust Office.
 - c. Within 90 days of the date of the filing of the Initial Application, evidence of the existence of the domestic partnership must be submitted to the Trust Office in the form of two of the following:
 - Proof of joint bank account
 - Proof of joint lease/mortgage of mutual residence
 - Joint billing statement, e.g., gas, electric, telephone

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- d. Eligibility for the domestic partner and any eligible dependent children will begin on the first day of the month following the date the notarized Affidavit of Domestic Partnership and required evidence are received and approved by the Trust Office, provided the employee is eligible in accordance with the Trust's eligibility rules.
3. Termination of Eligibility. A domestic partner's eligibility will terminate on the earliest of the following dates:
- a. The date the domestic partnership, as defined by the Plan, terminates.
 - b. The date a Statement of Termination of Domestic Partnership is signed by either party.
 - c. The date the employee's eligibility terminates.

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INITIAL APPLICATION FOR DOMESTIC PARTNERSHIP COVERAGE

I, _____, hereby apply for coverage under the California
Employee Name (please print or type)

Service Employees Health and Welfare Trust Fund for _____,
Domestic partner's name (please print)

as my domestic partner.

We understand that:

- a) within 30 days of this date we must complete a notarized Affidavit affirming our domestic partnership;
- b) within 90 days of this date we must submit evidence of the existence of our domestic partnership in a form satisfactory to the Trust;
- c) Trust benefits will not be payable for my domestic partner until all these requirements have been satisfied and then only if I continue to be eligible in accordance with the Trust's eligibility rules; and
- d) benefits will not be paid retroactively for any expenses incurred before the date the Affidavit and required evidence are received and approved by the Trust Office.

Employee Signature

Date

Domestic Partner Signature

Date

Address

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AFFIDAVIT OF DOMESTIC PARTNERSHIP

I. DECLARATION

We, _____ and _____, certify
Employee Name (print or type) *Partner's Name (print or type)*

that we are domestic partners in accordance with the following criteria. We understand that documentation of the existence of this partnership is required and we will provide two of the following within 90 days of the date of our Initial Application filing:

- Proof of joint bank account
- Proof of joint lease/mortgage of mutual residence
- Joint billing statement, e.g., gas, electric, telephone

II. STATUS

1. We are each other's sole domestic partner and intend to remain so indefinitely.
2. Neither of us is married to anyone.
3. We are at least eighteen (18) years of age and mentally competent to consent to contract.
4. We are not related by blood to a degree of closeness that would prohibit legal marriage in the State of California.
5. We reside together in the same residence and intend to do so indefinitely.
6. We are jointly responsible for each other's common welfare and financial obligations.
7. Each of us understands that the non-employee domestic partner and his or her dependents do not have rights to continuing coverage in the Plan under Federal or State law.

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Employee Signature

Date

Employee Address

Domestic Partner Signature

Date

Domestic Partner Address

State of _____)

County of _____)

On the _____ before me, _____
Date Name, Title of Officer, E.G., "Jane Doe, Notary Public"

personally appeared _____,
Names of Signers

[] personally known to me - OR - []

proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

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III. CHANGE IN DOMESTIC PARTNERSHIP

1. We agree to notify the Trust Fund Office if there is any change in our status as domestic partners as attested to in this Affidavit which would make us no longer eligible for Plan benefits (for example a change in joint residence) or if we are no longer each other's sole domestic partner. We will notify the Trust Fund Office within thirty-one (31) days of such change by filing a Statement of Termination of Domestic Partnership ("Statement of Termination"). The Statement of Termination will affirm that the domestic partnership status is terminated as of its date of execution and that a copy of the Statement of Termination has been mailed to the other party by the party authorizing such action.
2. After such termination, I, _____, understand that
Employee Name

another Affidavit of Domestic Partnership cannot be filed until 6 months after a Statement of Termination has been filed with the Trust Fund Office. The six (6) month waiting period will be waived only if an Initial Application is filed for the same domestic partner within thirty-one (31) days following the filing date of the Statement of Termination.

IV. ACKNOWLEDGEMENTS

1. We understand that any person/employer/company/fund who suffers any loss due to any false statement contained in this Affidavit may bring a civil action against either or both of us to recover their losses, including reasonable attorneys' fees.
2. We have provided the information in this Affidavit for use by the California Service Employees Health and Welfare Trust Fund for the sole purpose of determining our eligibility for domestic partnership benefits.
3. We declare, under penalty of perjury, under the laws of the State of California that the statements in this Affidavit are true and correct to the best of our knowledge.
4. We understand that the fair market value of the coverage provided to

_____ will be considered taxable
Domestic Partner

income for _____
Employee

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STATEMENT OF TERMINATION OF DOMESTIC PARTNERSHIP

I, _____, hereby declare that:
Employee or Domestic Partner (print or type)

1. _____ and I are no longer domestic partners.
name of employee or domestic partner (print)
2. I make and file this Statement of Termination in order to cancel the Affidavit of Domestic Partnership filed by us with the California Service Employees Health and Welfare Trust Fund on _____.
Date
3. I mailed my former domestic partner a copy of this notice at _____ on _____.
Address *Date*
4. I understand that I will not be able to file a subsequent Affidavit of Domestic Partnership until six months have passed from this date.

I declare, under penalty or perjury, under the laws of the State of California, that the above statements are true and correct to the best of my own knowledge.

Signed: _____

Print: _____

Address: _____

Date: _____

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