

March 30, 2007

Ensure Employer-Provided Health Care is Exempt from Tax

Dear Colleague,

I encourage you to cosponsor the **Tax Equity for Health Plan Beneficiaries Act**, legislation to ensure fair and equitable tax treatment for employer-provided health benefits.

As you know, there is a growing trend among both public and private employers across the country to provide domestic partner benefits in order to promote fairness and equality in the workplace, as well as to attract and retain a qualified workforce. You may find it interesting to know that as of January 1, 2007, a majority (265) of the Fortune 500 corporations offered health benefits to employees' domestic partners, more than twice as many as in 2000 and more than a ten-fold increase since 1995. Unfortunately, federal tax law has not kept up with changing employer behavior in this area, and both employers and employees are being taxed inequitably.

For tax purposes, current law discriminates against those that offer and receive domestic partner benefits. More typical employer-provided health benefits are exempt from income and payroll tax. But when domestic partner benefits are extended to an eligible beneficiary in compliance with employer policy, there is imposed an income and payroll tax on the portion of the benefit extended to the non-employee eligible beneficiary. This new tax burden is not only unfair, it also subjects employers to higher payroll taxes.

The Tax Equity for Health Plan Beneficiaries Act would remedy this injustice. It would exempt from income and payroll tax the health benefits provided under a domestic partnership plan. I urge you to become a cosponsor of this important legislation. Please contact [Jayme White](#) at 5-3106 for more information or to lend your support.

Sincerely,

Jim McDermott
Member of Congress