GROSSING UP

SHAUN TRAVERS

Chancellor’s Advisory Committee on Gender Identity and Sexual Orientation Issues
A BRIEF HISTORY OF OUR RIGHTS AT UC

Sexual Orientation non discrimination in 1983

November 21, 1997, the UC Board of Regents voted 13-12 to provide domestic partner benefits to UC employees

Gender identity non discrimination in 2005

July 1, 2005, the UC Human Resources began offering Transgender health benefits in insurance programs

2013 grossing up?
GROSSING UP – WHAT IS IT?

Federal tax law considers the UC contribution for medical and dental coverage for domestic partners.married same gender sex couples as income to the UC employee or retiree. This is unlike benefits received for opposite sex married couples.

This *imputed income* must be reported as taxable wages earned. This increases the tax burden on same-sex couples in domestic partnerships who cover their partners’ health benefits.
Because the imputed income increases the employee's overall taxable income, it also increases the employer's payroll taxes:

- the federal Social Security (FICA)
- unemployment insurance tax (FUTA)

This inequity can be corrected by “grossing up” the wages of employees who have domestic partners receiving UC benefits.
### AN EXAMPLE

<table>
<thead>
<tr>
<th></th>
<th>Single Employee</th>
<th>Employee with Spouse</th>
<th>Employee with Domestic Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Employee Salary</strong></td>
<td>$ 32,000</td>
<td>$ 32,000</td>
<td>$ 32,000</td>
</tr>
<tr>
<td><strong>Monthly Employer Contributions for Benefits</strong></td>
<td>$335</td>
<td>$907</td>
<td>$907</td>
</tr>
<tr>
<td><strong>Annualized Employer Contributions for Benefits</strong></td>
<td>$4,020</td>
<td>$10,884</td>
<td>$10,884</td>
</tr>
<tr>
<td><strong>Imputed Income</strong></td>
<td>-</td>
<td>-</td>
<td>($10,884 - $4,020) = $6,864</td>
</tr>
<tr>
<td><strong>Taxable Income</strong></td>
<td>$32,000</td>
<td>$32,000</td>
<td>$38,864</td>
</tr>
<tr>
<td><strong>Employee's 2012 Tax Liability</strong></td>
<td>$3,155</td>
<td>$3,155</td>
<td>$4,710</td>
</tr>
</tbody>
</table>

BUT IS IT REALLY THAT MUCH?

$1,555

difference

And it is even more if you have children!
BUT WHAT IS IT FOR ME?

http://blink.ucsd.edu/HR/benefits/insurance/domestic.html
WHO GROSSES UP?

Yale University
(one of the 8 UC comparison schools)
As well as
Bowdoin College
Syracuse University
Columbia University
Barnard College
University of Pennsylvania
with more added each year

WHO ELSE GROSSES UP?


Source: http://www.hrc.org/resources/entry/domestic-partner-benefits-grossing-up-to-offset-imputed-income-tax
BUT THERE ARE NO UC CAMPUSES DOING IT?

Technically, no, there are not regarding *domestic partner benefits*.

But the process of grossing up has been going in the UC system.

In fact we have been doing it for years.
WE GROSSED UP FOR PHONES

UC Office of the President
TO MEMBERS OF THE COMMITTEE ON COMPENSATION:
ACTION ITEM
For Meeting of May 7, 2009

CASH ALLOWANCE FOR CERTAIN EMPLOYEES FURNISHED WITH A UNIVERSITY-PROVIDED CELLULAR PHONE

The President recommends that the Committee on Compensation recommend to the Regents that for each Senior Management Group (SMG) member or other employee whose salary exceeds the indexed compensation level, which requires Regent approval, that:

Such employees receive a monthly cash allowance reimbursing them for the tax on the imputed income added to their taxable earnings for the value of a University-provided cellular phone or a cell phone-enabled personal digital assistant (PDA) and service plan. Since the cash allowance itself is taxable, it would be increased in accordance with the Internal Revenue Service (IRS) formula for grossing up such payments in order to reimburse the employee for applicable payroll taxes related to the payment.

Source: http://regents.universityofcalifornia.edu/regmeet/jul09/interimactions.pdf
## SO THE TAKE AWAY

<table>
<thead>
<tr>
<th>CELL PHONES</th>
<th>DOMESTIC PARTNERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxed inappropriately for cell phones</td>
<td>Taxed inappropriately for health of family</td>
</tr>
<tr>
<td>Unfair</td>
<td>Unfair</td>
</tr>
<tr>
<td>Gross up wages to address this</td>
<td>Still not being addressed</td>
</tr>
<tr>
<td>Done in 2009</td>
<td>2013?</td>
</tr>
</tbody>
</table>
BUT WHY?

Most likely cost

It is estimated to be between $5,391,106 and $6,851,659 for the system

WOW, that is a lot of money!!
BUT HOW MUCH?

UC pays $1.3 billion and faculty, staff and retirees pay about $200 million for our medical benefits. That covers about 300,000 employees, retirees and their dependents. Then add in...

- 1,500 same-sex spouses and domestic partners
- 100 opposite-sex domestic partners
- 500 retirees receive same- and opposite-sex domestic partners benefit

So between $5,391,106 and $6,851,659 for grossing up would be...

Approximately a 0.0045% increase in the amount spent on salary, benefits and wages

Source: 2011/12 UC Annual Financial Report, the latest financial report published
DOMESTIC PARTNERS ARE EXPENSIVE...

This would be in addition to the $25,402,674 incurred during 2011 to provide health and welfare benefits to domestic partners. A recap of 2011 annual cost of coverage for approximately 2,100 DPs and their dependents is listed below.

<table>
<thead>
<tr>
<th>Area</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same-Sex Domestic Partners</td>
<td>$18,190,319</td>
</tr>
<tr>
<td>Opposite-Sex Domestic Partners</td>
<td>$1,233,145</td>
</tr>
<tr>
<td>Children/Grandchild of Domestic Partners</td>
<td>$968,934</td>
</tr>
<tr>
<td>Retirees with Domestic Partners</td>
<td>$5,010,276</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$25,402,674</td>
</tr>
</tbody>
</table>
BUT WHAT ABOUT THE SUPREME COURT?

Decisions on the Defense of Marriage Act (DOMA) and California’s Proposition 8 are expected in late June.

The US Supreme Court is notoriously unpredictable.

The US Supreme Court may not make a clear decision.

Those who have been discussing grossing up were told the same thing in 2008 when marriage equality passed in California... and nothing changed.
BUT WHAT ABOUT THE NEW UC PATH?

UC PATH is a centralized human resources reorganization for the entire UC system.

We have evidence the current system can handle it (the grossing up of cell phones). There is no new systems which need to be created.

UC Path implementation has been delayed twice already, with the potential for further delay.
SO, WHO MAKES THIS DECISION?

UC President Mark Yudof

- Other points of influence
  - University of California Regents
  - Dwaine B. Duckett, UC vice president for systemwide human resources
  - Chancellor on the UC campuses
  - Vice Chancellors
  - Deans
  - MSOs and HR contacts
WHO IS DISCUSSING THIS?

UC Task Force & Implementation Team on LGBT Climate & Inclusion – John Alainz

UC systemwide LGBT Director’s Council – Shaun Travers

University of California Committee on Affirmative Action and Diversity – Anthony Davis

UC San Diego Chancellor’s Advisory Committee on Gender Identity and Sexual Orientation Issues – Amy Adler and Joselyn Harris

UC San Diego Diversity Council – Alex Hoffman

UC San Diego Assistant Vice Chancellor, Human Resources - Thomas R. Leet

UC San Diego Student Affairs Unit Heads – VC Penny Rue

UC San Diego Academic Affairs Business Administrators - YOU!
BUT WHAT CAN I DO?

Brainstorm a list of people who might not know/be interested in this information and be an ally

Brainstorm a list of people who might be decision makers to whom you have access

Plan to make a phone call

Plan to have a face to face conversation with someone about this issue

Write about it in a newsletter

Share it in a staff meeting

Share it with colleagues

Plan to e-mail a decision maker
OTHER QUESTIONS