

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

GROSSING UP – WHAT IS IT? (CONT'D)

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

	Single Employee	Employee with Spouse	Employee with Domestic Partner
Annual Employee Salary	\$ 32,000	\$ 32,000	\$ 32,000
Monthly Employer Contributions for Benefits	\$335	\$907	\$907
Annualized Employer Contributions for Benefits	\$4,020	\$10,884	\$10,884
Imputed Income	-	-	(\$10,884 \$4,020)= \$6,864
Taxable Income	\$32,000	\$32,000	\$38,864
Employee's 2012 Tax Liability	\$3,155	\$3,155	\$4,710

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?

Accenture Ltd., **American Express Co.**, Apple Inc., **Bain & Co. Inc.**, Bank of America Corp., **Barclays Capital**, Bingham McCutchen LLP, **BNP Paribas**, Boston Consulting Group, **Cisco Systems Inc.**, Cleary, Gottlieb, Steen & Hamilton LLP, **Corning Inc.**, Credit Suisse USA Inc., **Debevoise & Plimpton LLP**, Deloitte LLP, **Depository Trust & Clearing Corp.**, Deutsche Bank, **Discovery Communications Inc.**, Ernst & Young LLP, **Facebook Inc.**, Fenwick & West LLP, **The Goldman Sachs Group Inc.**, Google Inc., **Kimpton Hotels & Restaurants**, KPMG LLP, **Marsh & McLennan Companies Inc.**, McDermott Will & Emery LLP, McKinsey & Co. Inc., **Microsoft Corp.**, Milbank, Tweed, Hadley & McCloy LLP, **Morgan Stanley**, Morrison & Foerster LLP, **Orrick, Herrington & Sutcliffe LLP**, PricewaterhouseCoopers LLP, **Simpson, Thacher & Bartlett LLP**, Skadden, Arps, Slate, Meagher & Flom LLP, **Winston & Strawn LLP** and Yahoo! Inc.

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 Regental 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.

SO THE TAKE AWAY

CELL PHONES

**Taxed inappropriately
for cell phones**

Unfair

**Gross up wages to
address this**

Done in 2009

DOMESTIC PARTNERS

**Taxed inappropriately
for health of family**

Unfair

**Still not being
addressed**

2013?

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: <http://www.universityofcalifornia.edu/news/article/26280>

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.

Area	Cost
Same-Sex Domestic Partners	\$18,190,319
Opposite-Sex Domestic Partners	\$1,233,145
Children/Grandchild of Domestic Partners	\$968,934
Retirees with Domestic Partners	\$5,010,276
TOTAL	\$25,402,674

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