

**NOTICE TO PARTICIPANTS IN THE
NATIONAL EMPLOYEES HEALTH PLAN
COVERED UNDER AN INSURANCE CERTIFICATE
ISSUED UNDER FLORIDA LAW**

**TAX IMPLICATIONS OF EXTENDED DEPENDENT COVERAGE FOR
ADULT CHILDREN UNDER FEDERAL AND FLORIDA LAW**

The federal Affordable Care Act (“ACA”) requires certain changes to group health plans such as this one. This bulletin explains the federal and state laws that require this plan to allow for expanded coverage of adult children as dependents, along with some general information about tax implications associated with this expanded dependent coverage.

Under the new federal law all group health plans that offer dependent coverage for children must now offer dependent coverage for such children until the age of 26, without any conditions such as full time student status or financial dependency. This requirement is effective for all group health plans after September 23, 2010; each plan is required to expand coverage no later than its federal law reporting anniversary date, known as a “plan year”. This plan will conduct a limited enrollment season around the time that expanded coverage becomes effective to allow enrollment of any children under the age of 26 who had previously lost coverage and are eligible under the new standard.

Prior to the new health care law most plans had limited dependent eligibility for children over the age of 19 using standards set forth in the tax code; the Code had provided that health care coverage and reimbursement for such expenses would be considered taxable income unless a child satisfied certain conditions, such as financial dependency or status as a student. The Code has been changed. With the ACA requirement that group health plans allow extended dependent coverage the Internal Revenue Code was amended to provide that such coverage *will not be considered taxable income if the child has not attained age 27 at the end of the taxable*

year. Thus group health plans can offer the required expanded dependent coverage without the tax consequences under earlier law.

The new federal law applies to all group health plans, whether benefits are provided under fully insured or self-funded models. Florida law, however, imposes further requirements for insured plans in the state of Florida. Florida requires insured plans to offer extended dependent coverage to adult children up to the age of 30, if such children meet certain conditions.¹ Please contact the Plan Administrator for more information and to obtain the necessary forms for enrollment of adult children between the ages of 26 and 30.

Please be aware, however, that while the Florida law requires that insured plans in Florida offer dependent eligibility for children up to the end of the calendar year in which a child turns 30, the Internal Revenue Code treats health care benefits as non-taxable income only if the child has not reached age 27 as of the end of the taxable year. ***It is possible, therefore, that the IRS could determine that dependent coverage offered under the Florida law to adult children who are over the age of 27 could be considered taxable income.*** Employees and their adult children may wish to consult their tax advisors regarding potential tax implications of health plan coverage for adult children over the age of 27.

¹ Certain conditions must be met in order for an adult child over the age of 26 to be eligible for coverage. Children between the ages of 26 and 30 must be unmarried; be either a state resident or a full or part-time student; must not have dependents of his or her own; and must not be provided coverage under other health insurance. The insurer is permitted to charge an additional premium for coverage of 25 to 30 year old children. See Fla. Stat. §627.6562(4)(a).