



Adult Dependent Coverage

Eliminating the Discrepancy between State and Federal Requirements

The past several months have posed a significant challenge for many employers seeking to understand and implement the requirements of the Patient Protection and Affordable Care Act (PPACA). Yet-to-be drafted regulations, differences between state and federal laws and uncertainty about whether provisions will move forward have made the challenge even greater for Wisconsin businesses, their employees and dependents.

Policy leaders in the state of Wisconsin have an early opportunity to simplify PPACA for employers and consumers by eliminating the differences between state and federal laws pertaining to coverage of adult dependents.

- PPACA requires employers to provide coverage of adult dependent children without other employer sponsored health care to age 26, effective for plan years beginning after September 23, 2010. PPACA as changed by the reconciliation bill also makes a corresponding change to the Internal Revenue Code (IRC) that makes this coverage exempt from federal taxation.
- On the state level, the law is different in significant ways. Beginning January 1, 2010, Wisconsin state law requires employers to provide coverage for adult dependent, unmarried children to age 27, regardless of whether they have an offer of employer coverage. The Wisconsin Department of Revenue determined that if these adult children do not qualify as dependents under federal law, the coverage is "imputed income" for the employee, obligating employees to pay, and employers to withhold, state and federal taxes.

These differences cause confusion for employers and employees regarding their Wisconsin income tax (and income tax withholding) obligations for coverage of adult dependent children. Employers also have the challenge of tracking when they should be following the federal law, when they should follow the state law, and which enrollees do not meet the "qualified dependent" definition to trigger withholding.

The Alliance asks that Wisconsin legislators eliminate this discrepancy and the administrative burden it creates on Wisconsin employers, by revising the state tax code and adult dependent requirements to be consistent with the federal law.

About The Alliance

The Alliance moves health care forward by controlling costs, improving quality, and engaging individuals in their health. An employer-owned, not-for-profit cooperative, our 160 members provides coverage to more than 83,000 individuals in southern Wisconsin and neighboring counties in Iowa and Illinois. We use our collective purchasing power to drive health care transformation and create a market that recognizes and rewards high-quality, safe care at an affordable price.