Instructions for Reviewing & Updating Dependent Child Tax Status

Step 1 - Determine if your dependent child is a tax dependent or not.

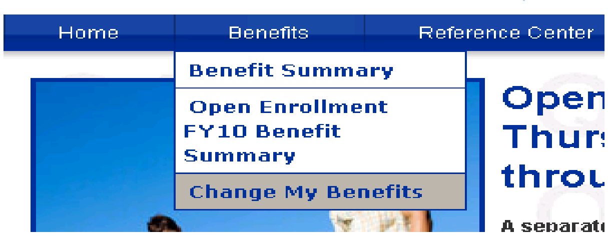
- While the State cannot tell you what the tax status of your dependent child should be, it does offer resources to help you determine. Go to www.colorado.gov/dpa/dhr/benefits to view and use these resources. If you cannot access these resources, contact your agency's benefits administrator.
- In addition the State recommends all employees with additional questions regarding the tax status of dependent children consult with a qualified tax advisor, as well as the IRS (www.irs.gov).
- Also review IRS Publication 501 to determine if your child meets the tests for a Qualifying Child (QC) or a Qualifying Relative (QR). In many cases, your child under age 19 who lives with you is your tax dependent, however, if you are divorced and your child doesn't live with you or is claimed on your ex-spouse's taxes, this may not be the case.
- Just remember, *you* have to make the decision on the tax status of your dependents.
- *For purposes of determining tax status, your spouse is* always *considered a tax dependent. The question of tax dependent or non-tax dependent only applies to* dependent children.

Step 2 – Review and update your dependents' tax status

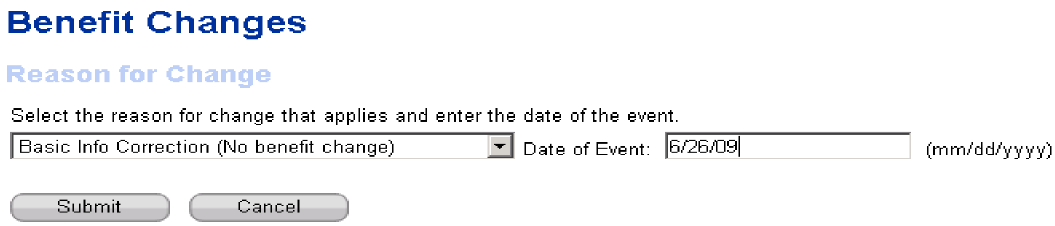
- Review the status in the State's online Benefits Administration System (BAS). This is the same system used for open enrollment, and you will use the same username and password to log in to the BAS that you used during open enrollment, or the last time you used the system.
- It is important to answer this question now or, if needed, update the status. If the question goes unanswered, the State may have to assume that your dependent children are NON-TAX DEPENDENTS, depending on their age and student status, which could mean higher income taxes for you.

How do you review and update in the BAS?

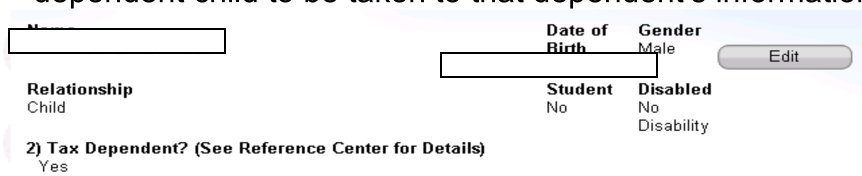
- Be sure you know your dependents' tax status and social security number. Log in to the BAS with your username and password. Choose **"Change My Benefits"** by dragging your cursor over the word "Benefits" in the blue bar.



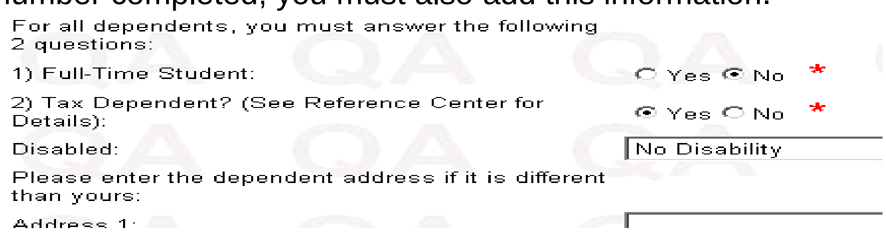
- On the next screen, choose **"Basic Info Correction"** from the drop down menu of reasons for a change, and then enter the current date as the "date of event."



- On the "Dependent Information" screen, click on the **"edit"** button for each dependent child to be taken to that dependent's information.



- On the next screen with the dependent's details, find the **"tax dependent"** and **"full time student"** fields about halfway down the screen and mark appropriately. Note that if you do not have your dependent's Social Security number completed, you must also add this information.



- Be sure to complete this transaction in the BAS all the way through clicking the **"I Agree"** button on the last screen.

Step 3 - Determine the impact to your taxable income (if you are covering a NON-TAX DEPENDENT for medical / dental insurance).

- We cannot tell you how much you will be taxed – that depends on your tax rate, the number of exemptions you claim and other factors. What we can tell you is how much your taxable income will increase; in other words, the amount that will be added to your salary each month for the purposes of calculating your taxes (the higher your taxable income, the more you pay in taxes).
- Go to www.colorado.gov/dpa/dhr/benefits to see the FY10 Imputed Income table. Find your coverage to determine your increased taxable income amount.
- Understand that this amount IS NOT additional insurance premiums you have to pay, nor is it additional income you will receive, but an amount used to calculate the taxes on your income.
- There are different amounts depending on whether or not your insurance contributions are deducted from your pay pre-tax or after-tax. Why?

Because an employee is not to receive a tax benefit (via pre-tax deductions) for covering a non-tax dependent. The pre-tax amount is higher in order to remove the tax benefit of a pre-tax deduction.

Step 4 – If you want to remove the medical / dental coverage for a NON-TAX DEPENDENT to avoid additional taxes…

Contact Employee Benefits in the Division of Human Resources (part of the Department of Personnel & Administration) **no later than Monday, June 22, 2009** – **303-866-3434 / 1-800-719-3434 / benefits@state.co.us** and the coverage can be removed. *Coverage cannot be removed after June 22, 2009*.