

ADULT CHILD CERTIFICATION FORM
HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PARTICIPANT
CALENDAR YEAR 2011

YOU MUST COMPLETE AND RETURN THIS FORM BY: _____
 TO: _____ TO PROVIDE INFORMATION, INCLUDING TAX DEPENDENCY STATUS,
 FOR EACH ADULT CHILD WHO TURNS AGE 19 TO 27 AT ANY TIME IN CALENDAR YEAR 2011 **AND** ARE COVERED
 UNDER THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA).

WE MUST HAVE THIS INFORMATION TO ACCURATELY PROCESS YOUR ADULT CHILD'S ELIGIBILITY. FAILURE TO COMPLETE AND RETURN THIS FORM WILL RESULT IN YOU BEING CHARGED TAXES ON THE FAIR MARKET VALUE OF HRA COVERAGE FOR YOUR ADULT CHILD(REN). FAILURE TO SUBMIT THIS COMPLETED FORM, MAY REQUIRE AN AUDIT OF YOUR ADULT CHILD'S BENEFIT ELIGIBILITY.

IF YOU DO NOT PROVIDE TAX DEPENDENCY STATUS, FOR YOUR ADULT CHILD WHO TURNS AGE 19 OR OLDER AT ANYTIME IN CALENDAR YEAR 2011, THEY WILL NOT BE CONSIDERED A "TAX DEPENDENT" AND WE WILL REPORT THE FAIR MARKET VALUE OF ANY COVERAGE UNDER THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA) AS IMPUTED INCOME ON YOUR W-2 FOR PURPOSES OF ANY APPLICABLE FEDERAL AND STATE TAXES.

FOR ADULT CHILDREN TURNING AGE 27 IN 2011, WE WILL IMPUTE INCOME FOR ANY APPLICABLE FEDERAL TAX PURPOSES IF THEY ARE NOT A TAX DEPENDENT.

Employee (Subscriber) Name: _____ Social Security # _____
(Please print your first name, middle initial and last name)

Dependent Name	(1) Dependent Date of Birth	(2) Does the parent provide more than 50% support? Yes or No	(3) Is Dependent Married? Yes or No	(4) Dependent meets test considered for IRS tax dependency? Yes or No <small>(See back of this form for the dependency tests)</small>

Certification and Other Acknowledgements:

- I certify that I have read the information referenced in this form. By signing and returning this form, the dependent(s) that I have indicated above meets the dependency tests for either a "qualifying child" or a "qualifying relative" and who is/are my legal IRS tax dependent(s)** as defined by Internal Revenue Code Section 152, determined without regard to subsections 152 (b)(1), 152 (b)(1)B, and will be my IRS tax dependent(s) for the calendar year 2011.
- I agree to notify my Employer within 30 days, and in writing, if any of the above-named individuals are no longer my IRS tax dependents.
- I understand that tax status is separate from eligibility for benefits. A designation as an IRS tax dependent will result in my Employer **not** reporting imputed income for the applicable value of such benefits to the IRS or State Department of Revenue on my behalf. As a result, I understand that I should contact my tax advisor or tax preparer before signing this form.
- I certify that the above information is complete, true, and correct and may be subject to State and Federal penalties governing eligibility for the Health Reimbursement Arrangement coverage for myself and my claimed dependents. As information requested on this form changes, I understand I must promptly inform my Employer in writing of the changes – according to the Qualifying Family Status Change timeline set forth in my Health Reimbursement Arrangement (HRA). Failure to provide such written notice may result in loss of coverage or denial of benefits.
- My Employer reserves the right to determine eligibility and obtain all necessary information to accomplish this. My Employer also retains the right to conduct periodic audits, including random audits for eligibility verification.

 Signature of Employee

 Date

****PLEASE READ THE DEFINITIONS AND IRS TAX DEPENDENCY TESTS ON THE BACK SIDE OF THIS FORM OR CONSULT YOUR TAX PREPARER BEFORE YOU COMPLETE, SIGN AND RETURN THIS FORM.**

IRS Tax Dependent Definition and the IRS Tax Dependency Tests

For purposes of employer provided health/vision and dental benefits, we are providing you with the following general definition of an IRS tax dependent. A “**tax dependent**” is a person that qualifies as **your** dependent on your income taxes for Internal Revenue Code purposes. In order to determine a “tax dependent,” you may need to consult with your tax preparer. NOTE: If your dependent child is less than age 27 (and otherwise meets the requirements for eligibility under any applicable state statutes), your dependent does not need to be a “tax dependent” to be eligible under the health reimbursement arrangement (HRA). *However, the fair market value of the HRA coverage for your covered dependents that is not your “tax dependents” are considered imputed tax income.* It is important for your employer to know whether your dependent child is a “tax dependent” so that your income is reported accurately on your W-2. It is also important for you to notify your Employer within the qualifying event timeline set forth in your health reimbursement arrangement (HRA), if your insured child’s “tax dependent” status changes during the year.

IRS Publication 501 defines a taxpayer’s “**qualifying child**” as someone who meets the five-part test outlined below:

1. Relationship Test	The child is a natural child, stepchild, adopted child, or child for whom the employee has legal guardianship.
2. Residency Test	The child must claim his or her primary residency to be the same as the employee’s for at least half of the calendar year. Temporary absences for schooling, military service, illness, and vacations are not counted against this measurement.
3. Age Test	A child who is not a full-time student must be less than 19 years old at the end of the tax year for which the employee is claiming him or her as a dependent. If the child is a full-time student the child must be less than 24 years old at the end of the tax year for which the employee is claiming him or her as a dependent. The age test does not apply to dependent children who are mentally or physically disable to the extent they are not self-supporting.
4. Self-support Test	The child must not have provided more than half of his or her own support during the calendar year for which the employee intends to claim him or her as a dependent.
5. Qualifying Child of More Than One Person Test	If the child meets the requirements to be a qualifying child of more than one person, the employee must be the person entitled to claim the child as a qualifying child for tax purposes.

IRS Publication 501 defines a taxpayer’s “**qualifying relative**” as someone who meets the four-part test outlined below:

1. Not a Qualifying Child Test	The child is not a qualifying child of the employee or any other taxpayer (as explained above).
2. Member of Household or Relationship Test	The child must live with you all year as a member of your household OR The child must be related to you in one of the ways listed under “Relatives who do not have to live with you” in IRS Publication 501 (which includes, among others, your child or stepchild).
3. Gross Income Test	Under Internal Revenue Service Notice 2004-79, this does not apply for purposes of determining tax dependent status for your child when you are insuring your child on your health and dental insurance policy. Your child only needs to meet the remaining three tests to be a qualifying relative for health insurance purposes.
4. Support Test	You must provide more than half the child’s total support for the year.

These tests are described in detail in IRS Publication 501, which is available at the web site of the Internal Revenue Service at <http://www.irs.gov/pub/irs-pdf/p501.pdf>. Benefits Design Group, Inc. cannot provide tax advice; therefore if you have questions, you should consult with your tax advisor on how these rules apply to you.

Tax Consequences – Imputed Income

Under Internal Revenue Code rules, when an Employer provides you with cash or a benefit, it generally must be added to your taxable income. One of the primary exceptions to this general rule is health benefits, including coverage under the Health Reimbursement Arrangement (HRA). Under this exception, the Internal Revenue Code allows you and your **IRS tax dependents** to exclude these benefits from your income. But, the value of these benefits can only be excluded for you and your IRS tax dependents. An IRS tax dependent includes your spouse. An IRS tax dependent also includes your dependent children, but those children must meet specific rules.

As a general rule, an adult dependent will not be your IRS tax dependent unless he or she is a “qualifying child” or “qualifying relative” as explained above. As a result, your Employer is required to add the fair market value of the Health Reimbursement Arrangement (HRA) coverage associated with the adult child who is not an income tax dependent—also known as “imputed income.” This “imputed income” will be taxed like the other income you receive. Even though you are not receiving additional cash, your taxable income will increase and will be reported on your W-2.