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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2006

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A N A C T

RELATING TO PUBLIC OFFICERS AND EMPLOYEES

Introduced By: Representative Robert A. Watson

Date Introduced: February 16, 2006

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 36-12 of the General Laws entitled "Insurance Benefits" is hereby
2 amended by adding thereto the following section:

3 **36-12-15. Domestic partner income loan program.** – (a) Legislative findings: The
4 general assembly hereby finds that:

5 (1) The department of administration is responsible for the administration of state health
6 care benefits programs for state employees;

7 (2) In 2001, the general assembly amended section 36-12-1 to allow for the provisions of
8 health care benefits for domestic partners of state employees;

9 (3) The state was only recently advised that said amendment resulted in certain
10 unanticipated federal tax implications for some state employees;

11 (4) Under federal tax law, the fair market value of health insurance coverage for domestic
12 partners of state employees is considered to be imputed income to affected state employees unless
13 said domestic partner otherwise qualifies under applicable federal laws and regulations as the
14 state employee's dependent for health care purposes;

15 (5) Because said tax ramifications were unanticipated, the state did not inform the
16 affected employees of those ramifications until November 2005;

17 (6) Under applicable state and federal tax law taxpayers are responsible for paying the
18 amounts of any underpayments of state and federal income taxes;

19 (7) Affected employees are required to file their 2005 state and federal income tax returns

1 on or before April 15, 2006; and

2 (8) In order to pay the additional income tax owed as a result of the imputed income from
3 the receipt of health care benefits for their domestic partners, some affected employees may
4 require financial assistance.

5 (b) There is hereby created a separate account within the department of administration
6 which shall be known as the Domestic Partner Income Tax Loan Account (2002-2005),
7 hereinafter known as the ("Account"). The account is created in order that the state of Rhode
8 Island, through the department of administration, can develop and implement a loan program to
9 loan funds to eligible state employees so that employees can pay the additional federal and state
10 income taxes incurred for the tax years 2002, 2003, 2004 and 2005, as a result of income imputed
11 to them equal to the fair market value of the health care benefits extended to their domestic
12 partners. The state controller is hereby authorized to advance from the general fund the necessary
13 funds for disbursement of loan amounts to eligible employees in accordance with the terms and
14 conditions of the loan program as established by the department of administration.

15 (c) Such loans shall be repaid by the affected employees through payroll deductions in
16 accordance with the requirements of the Domestic Partner Income Tax Loan Account Program,
17 hereinafter known as the ("Program") that shall be developed, implemented, and administered by
18 the department of administration. All amounts repaid under the terms of the program shall be
19 promptly remitted to the Domestic Partner Income Tax Loan Account in the general fund.

20 (d) Beginning in January 2007, and in each January thereafter until the loans are repaid
21 in full, the department of administration shall submit a report to the general assembly which shall
22 describe, as of December 31 of the previous year, the number of state employees that continued to
23 participate in the program, the number and dollar amount of loans outstanding, and the total
24 receipts from payroll deductions that have been transferred to the general fund during the prior
25 twelve (12) month period.

26 SECTION 2. This act shall take effect on March 1, 2006 and shall be repealed on April
27 30, 2010.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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1 This act would implement a loan program for those state employees affected by the
2 additional income tax liability due to the extension of health insurance coverage to a non-
3 dependent domestic partner.

4 This act would take effect on March 1, 2006, and would be repealed on April 30, 2010.

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