

United States House of Representatives
Committee on Ways and Means
Subcommittee on Income Security and Family Support
“Hearing on Impact of Gaps in Health Coverage on Income Security”
November 14, 2007
Written Testimony of Joe Solmonese, Human Rights Campaign

On behalf of the Human Rights Campaign and our over 700,000 members and supporters nationwide, I thank Representative McDermott for calling this hearing on the impact of gaps in health coverage. As the nation’s largest civil rights organization advocating for the Gay, Lesbian, Bisexual, and Transgender (“GLBT”) community, the Human Rights Campaign strongly supports measures that will ensure health coverage for all Americans.

GLBT families are faced with a particular challenge in the area of health insurance. Families rely heavily on employer-provided health insurance, a benefit that is increasingly offered to same-sex couples. Recognizing that their lesbian and gay employees deserve equal pay for equal work, and that they need a diverse workforce to compete in today’s economy, over one half of the Fortune 500 companies now offer equal health benefits to their employees’ same-sex domestic partners—up from only one in 1992. Unfortunately, our tax system does not reflect this advance toward true meritocracy in the workplace. Under current federal law, employer-provided health benefits for domestic partners are subject to income tax and payroll tax. As a result, a lesbian or gay employee who takes advantage of this benefit takes home less pay than the colleague at the next cubicle. Some families have to forego the benefits altogether because of this unfair tax—adding them needlessly to the millions of uninsured Americans in this country.

Here is an example of the inequity: In 2006 Steve earned \$32,000 per year and owed \$3,155 in federal income and payroll taxes. Steve’s employer also paid the monthly premium of \$907 for Steve’s family health coverage, of which \$572 the amount in excess of the premium for self-only coverage. None of this coverage was taxable under current law. Steve’s co-worker, Jim, earned the same salary and had the same coverage for himself and his partner, Alan. However, the value of the coverage provided to Alan is subject to federal income and payroll taxes. As a result, \$6,864 of income is imputed to Jim and his federal income and payroll tax liability increased from \$3,155 to \$4,710. This represents nearly a 50% increase over Steve and Emily’s tax liability.

For many families, especially those with modest incomes, the tax hit is more than they can bear. In Steve and Alan’s case, the additional \$1,555 in tax liability is beyond their means. Put simply, taxing these benefits can exclude families from employer-provided benefits. With over 40 million Americans uninsured, and Medicaid now costing taxpayers \$4,072 per individual, we should be working to decrease the number of uninsured, not creating hurdles while corporate America is attempting to provide equal benefits.

It is time for the federal government catch up with America’s leading corporations and to

stop taxing domestic partner benefits. The Tax Equity for Health Plan Beneficiaries Act, H.R. 1820, introduced by Subcommittee Chairman McDermott, would eliminate the tax inequity and render health insurance more affordable for gay and lesbian families.¹ This is a common-sense bill that brings our tax system up to date with corporate best practices. We encourage Congress to support this healthy proposal and work toward its passage.

¹ A similar bill has been introduced in the Senate—the Tax Equity for Domestic Partner and Health Plan Beneficiaries Act (S. 1556).