

**IMPORTANT INFORMATION REGARDING  
DEPENDENT COVERAGE UNDER YOUR EMPLOYER SPONSORED  
HEALTH PLAN**

During the 2008 legislative session, the Iowa General Assembly passed a law requiring that group health plans in the State of Iowa continue coverage for dependents who meet the following eligibility criteria: (i) are unmarried, (ii) a resident of the State of Iowa and (iii) have either not reached the age of 25 or remain a full-time student (regardless of age).

Iowa Bankers Benefit Plan will be implementing the law's requirements with respect to each of its health plans effective January 1, 2009. Dependents that were previously dropped from the plan due to ineligibility will be allowed back on the plan with out pre-existing condition restrictions if the employee requests coverage for the dependent effective January 1, 2009. If the employee requests coverage, after the January 1, 2009 date, for a dependent that was dropped due to ineligibility prior to January 1, 2009, restrictions on coverage may apply.

There are important tax ramifications to employees who choose to allow their dependents to continue on the plan in accordance with the new law. The definition of "dependent" utilized by the Internal Revenue Service has not changed. Under the Internal Revenue Code, health insurance premiums paid by or on behalf of an employee are excludable from the employee's gross income to the extent they cover only the employee, the employee's spouse and dependents. The Internal Revenue Code defines a "dependent" to include a child who meets the following criteria:

- bears a relationship to the taxpayer;
- has the same principal place of abode as the taxpayer for more than one-half of the taxable year;
- has not attained the age of 19 or 24 if the child is a student, as of the close of the calendar year; and
- has not provided over one-half of their own support for the calendar year.

Children who are permanently and totally disabled are treated as having met the above criteria and are considered dependents. Children who do not qualify as a child could still be a "dependent" if they are considered a "qualifying relative" meaning that in addition to being the child of the employee they have over one-half of their support provided by the employee in the calendar year.

Employees who continue coverage on our health plan for a dependent who does not meet the IRS' definition will be required to pay the fair market value of the dependent's coverage on an after-tax basis. We will use the cost of the **single premium** as the fair market value of the dependent's coverage.

**EXAMPLE**

For example, if the cost of the single premium is \$340.00 and the employee pays \$170.00 per month for family coverage; the employee may pre-tax only \$0 of the premium and the remaining \$170.00 must be paid with after-tax dollars.

Additionally, if the cost of the health insurance coverage paid by the employee is less than the cost of the single premium because of amounts subsidized by us, the employee will be taxed on the difference.

For example, if the cost of the single premium is \$340.00 and the employee currently pays \$ 143.00 per month for employee plus child coverage, the employee will need to pay the \$143.00 with after-tax dollars. Additionally, \$197.00 will be considered taxable income to the employee.

Employees who continue coverage for a dependent who no longer meets the IRS' definition of "dependent" (i.e., are 19 or older but are not full-time students or are 24 and full-time students or who is not a "qualifying relative") are responsible for notifying us so that we can properly address the above tax issues.

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_  
Bank officer/Human Resource Officer

\_\_\_\_\_  
Street Address, Town, Zip code

Date: