

**IMPORTANT NOTICE REGARDING
THE TAX IMPLICATIONS OF ADDING YOUR
NON-TAX DEPENDENT TO YOUR HEALTH INSURANCE COVERAGE**

****PLEASE READ IN ITS ENTIRETY****

You are receiving this Notice because you have elected to add or continue health insurance coverage for an individual who does not meet the IRS' definition of "dependent." While Iowa law requires group health plans to allow dependents to continue coverage until the age of 25 or for as long as they remain a full time student provided they are unmarried and residents of the State of Iowa, the IRS' definition of "dependent" for tax purposes is much narrower.

We have determined that your child no longer meets the IRS' definition of "dependent" as he/she has attained the age of 19 or 24 if the child is a student and you have not certified that you provide over one-half of the child's support for the calendar year. While Iowa law allows you to continue coverage under your health plan for this child, you can no longer take advantage of the tax benefits of providing health insurance coverage to this child.

Specifically, you can no longer pre-tax the premium associated with this child's coverage. To determine the amount of the premium associated with this child's coverage, we use the fair market value of the coverage. We have determined the fair market value of the coverage using the COBRA premium for a single individual which is currently \$_____. Therefore, \$_____ of your total premium must be paid by you with after-tax dollars. The remaining amount of your premium will be pre-taxed.

You may also notice that your earnings may reflect additional compensation in the form of any premium contributions made by your employer and attributable to your non-tax dependent's coverage. If your employer subsidizes your premium resulting in you paying less than the COBRA premium quoted above, the difference between the COBRA premium and the amount paid by you will be include as income to you and taxed. This is due to the fact that the IRS requires employers to report as wages any amounts paid toward health insurance coverage for an individual who does not meet the IRS' definition of "dependent."

If your employer subsidizes a portion of your deductible or out of pocket maximum, any amounts subsidized by your employer that are attributed to health care received by your non-tax dependent will also be reported by your employer as wages and subject to tax.

Please contact _____ at _____ if you
Bank Officer Name BankName/Address/PhoneNumber
have any questions.

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