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# THE FISCAL IMPACT OF EXTENDING FEDERAL BENEFITS TO SAME-SEX DOMESTIC PARTNERS

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September 2008



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## **THE FISCAL IMPACT OF EXTENDING FEDERAL BENEFITS TO SAME-SEX DOMESTIC PARTNERS**

### **EXECUTIVE SUMMARY**

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**S.2521 and H.R.4838, The Domestic Partnership Benefits and Obligations Act of 2007, would provide vital coverage to over 30,000 partners and children, costing the federal government \$41.0 million in the first year and \$675 million over ten years.**

The federal government subsidizes certain benefits to federal employees, employees' spouses, and their dependent children, including:

- Health insurance
- Work injury/death compensation
- Retiree health insurance and annuities
- Travel and relocation assistance

Under current policies, LGB federal employees are unable to enroll their same-sex partners and related children in government-sponsored benefits which are available to opposite-sex spouses. Senate Bill S.2521 and House Resolution H.R.4838 both propose to extend these benefits to same-sex domestic partners of federal employees. These bills are applicable only to current federal employees and not to currently retired federal employees.

Using the American Community Survey (ACS), we estimate that approximately 30,185 federal employees have same-sex partners who are not federal employees and are thus eligible for federal benefits. This report estimates the cost of providing these benefits at \$41.0 million in the first year and \$675 million over ten years. Discretionary spending under the bill would increase by \$51.7 million in the first year and \$666 million over ten years. Direct spending would increase by \$127 million over ten years. The United States Postal Service will spend \$20.1 million in the first year, but that additional spending will not be counted in the federal budget. This legislation would result \$10.7 million in increased tax revenue in the first year and \$118 million over ten years.

### **FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM**

Based upon government figures on participation rates in health insurance, we estimate that 14,436 same-sex partners and related children will enroll in the Federal Employees Health Benefits Program. The government share of the premium for family coverage is \$4,600 per year more than that of a single employee for non-postal employees and \$5,244 per year more for postal employees. Using these figures, we estimate that health care spending will increase by \$60.4 million in the first year.

### **RETIREE HEALTH PROGRAM**

In the short-term, allowing LGB federal employees to opt for survivor benefits for their partners will actually result in a reduction in annuity payments due to the spousal reduction that is applied to pay for survivor benefits. Using figures of the number of employees with same-sex partners and the number of employees that retire each year, we estimate that 1,103 employees with same-sex partners will retire in

the first year. We estimate a savings due to spousal reductions in annuity payments of \$22.6 million by year ten and ten year savings of \$108 million.

### **RETIREMENT SAVINGS PROGRAM**

Using ACS data, we estimate that approximately 17% of federal employees in same-sex partnerships are age 55 or older and thus will be eligible for retirement in the next year. Of retirement-eligible employees, we calculate that 1,103 LGB federal employees who have domestic partners will retire in the next year. The government's share of retiree health premiums increases by \$4,640 from single to family coverage. We calculate that it will cost the federal government approximately \$3.9 million in the second year to provide same-sex domestic partner health insurance benefits to retiring federal employees. As current federal employees who are eligible for domestic partner benefits retire, this cost will increase. We estimate that in ten years, there will be approximately 7,241 retirees with same-sex domestic partners enrolled in retiree health benefits. The ten year costs for retiree health benefits for same-sex domestic partners are estimated to be \$127 million.

### **FEDERAL EMPLOYEE COMPENSATION ACT**

To calculate the additional costs to be incurred by the federal government through FECA disability claims filed by LGB employees with recognized domestic partners, we estimate the number of partnered LGB federal employees who might file FECA claims a year. In 2007, there were 134,436 new FECA cases opened, affecting 4.7% of all federal employees. Applying this percentage to the number of partnered LGB federal employees, we estimate that 1,605 partnered LGB employees may file FECA claims. Based upon current salary and claim information, we find that it would cost an additional \$1.3 million in the first year to provide employees with same-sex domestic partners with FECA benefits equivalent to those given to married employees. Federal employees with same-sex partners are very unlikely to incur a workplace fatality claim in any given year, hence any budgetary impact from death benefits would be minimal.

### **TRAVEL, TRANSPORTATION, AND RELATED BENEFITS**

We estimate the number of federal employees with partners who are likely to be transferred in a given year. To do this we use the total number of federal employees with non-federal employee partners, 30,185, and multiply that figure by 1.59%, the percentage of total federal employees relocated in 2003 that received assistance or reimbursement from the government. We estimate that 479 LGB federal employee with a non-federal employed partner will relocate and receive federal funds for this relocation in a given year. By multiplying the number of federal employees with a same-sex partner that will be relocated each year by half of the average relocation expense, \$20,438, we estimate that will cost \$9.8 million in the first year. Adding additional costs associated with relocation, we estimate that the annual total cost travel, transportation, and related benefits to be \$10.1 million in the first year.

### **POSTAL SERVICE EMPLOYEES**

Because the United States Postal Services operates as an independent branch of the government, the costs of providing benefits to current employees are considered "off-budget" and must be paid for via postal revenues. Postal employees comprise approximately 28% of the federal workforce. Using this figure, we estimate that providing domestic partner benefits (health insurance, FECA payments, and travel and transportation costs) to postal employees will cost approximately \$20.1 million in the first year.

### **INCREASED TAX REVENUE FROM DOMESTIC PARTNER BENEFITS**

Allowing federal employees to enroll their same-sex partners in health insurance will also generate an increase in federal income taxes and payroll taxes. Due to the restrictions of DOMA, the IRS currently treats the value of benefits as taxable income or "imputed income." Based upon calculations of the amount of "imputed income" that federal employees receiving domestic partner benefits will be taxed upon as well as average tax rates, we estimate that federal employees will pay approximately \$10.7 million in taxes on imputed income in the first year.

## INTRODUCTION

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**S.2521 and H.R.4838, The Domestic Partnership Benefits and Obligations Act of 2007, would provide vital coverage to over 30,000 partners and children, costing the federal government \$41.0 million in the first year and \$675 million over ten years.**

The federal government provides certain benefits to federal employees, employees' spouses, and their dependent children, including:

- Health, dental, and vision benefits
- Retirement benefits
- Family medical leave provisions
- Federal group life insurance
- Long-term care insurance
- Work injury/death compensation
- Travel and relocation assistance

Under current policies, the federal government does not recognize the same-sex partners and children of LGB federal employees. LGB federal employees are currently unable to enroll their same-sex partners and related children in government-sponsored benefits which are available to opposite-sex spouses. Senate Bill S.2521 and House Resolution H.R.4838 both propose to extend these benefits to same-sex domestic partners of federal employees. These bills are applicable only to current federal employees and not to currently retired federal employees.

This report estimates the cost of providing these benefits at \$41.0 million in the first year and \$675 million over ten years. Discretionary spending under the bill would increase by \$51.7 million in the first year and \$666.5 million over ten years. Direct spending would increase by \$127 million over ten years. This legislation would result \$10.7 million in increased revenue in the first year and \$118 million over ten years.

In the sections that follow, we first outline our estimates of the number of employees affected. We then discuss each benefit in turn to provide the details of the calculations, data, and estimates.

## ESTIMATES OF THE NUMBER OF FEDERAL EMPLOYEES WITH SAME-SEX PARTNERS

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According to the 2005-2006 American Community Survey (ACS), there are 34,117 federal employees who are members of same-sex couples. Approximately 88.5% or 30,185 of these federal employees have same-sex partners who are not federal employees and are thus eligible for federal benefits. The remaining federal employees are part of a couple with another federal employee. For the purposes of this analysis, we assume that both of these employees already have federal benefits and are thus excluded from our estimates in this report. Our estimates are based upon providing domestic partner benefits to the 30,185 same-sex domestic partners of federal employees.

## UNITED STATES POSTAL SERVICE EMPLOYEES

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Included in our estimate of the number of federal employees with same-sex partners are United States Postal Service employees. According to the Office of Personnel Management (OPM), roughly 28% of federal employees are Postal Service employees.<sup>1</sup> The Postal Service operates as an independent branch of the government.<sup>2</sup> As such, the Postal Service has negotiated specific contracts with its employees. The Postal Service also operates in a "businesslike way." This means that the Postal Service is expected to cover its operating expenses through postage rates and the revenue it generates.

In the specific case of the proposed legislation, the Postal Service would be responsible for the majority of expenses associated with providing domestic partner benefits to the same-sex partners of its employees. The Postal Service is not, however, responsible for retiree healthcare or annuity costs.<sup>3</sup> These costs are considered part of the federal budget as direct spending measures. Estimates of the

costs borne by the Postal Service for current employees and by the federal government for retirees are included in the estimates (see Table 1) but not in the total budgetary impact.

## **HEALTH, DENTAL, AND VISION INSURANCE**

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### **FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM**

The federal government offers federal employees and their dependents more than 300 health insurance plans.<sup>4</sup> Based on an employee's state of residence and desired level of care, employees can choose among the plans. The federal government subsidizes health insurance premiums. On average, non-postal employees pay 29% of the plan's cost with the federal government covering the remaining 71%.<sup>5</sup> Postal Service employees pay 16% of premiums, with the government paying the remaining 84%.<sup>6</sup>

Because the federal government does not currently recognize the same-sex partners of federal employees, a change that would recognize these partners would likely result in an increase in cost to the federal government. Enrollment in federal employee health insurance plans would increase in two ways. First, employees may choose to enroll same-sex partners. Second, employees may enroll their partners' children, who are not currently eligible to be covered.

We estimate that 30,185 partners of federal employees and their children would be eligible for federal benefits under this legislation. However, the number of partners and children who will enroll is much lower. There are several reasons for the lower enrollment estimates.

First, some partners have health insurance through their own employers. An estimated 22,393 (74%) of these partners are employed full-time, 11.5% (3,475) work part-time, and 14.3% (4,317) do not work in the labor market. Based upon figures from the Bureau of Labor Statistics' National Compensation Survey (NCS) and its estimates of participation in employer-sponsored health insurance,<sup>7</sup> we estimate that 52% (15,748) of these partners are eligible for health insurance through their own employers, leaving 48% (14,436) of partners who will need health insurance and enroll in the Federal Employees Health Benefits Program.<sup>8</sup>

There will be some employees who register not only partners but also their partner's children. Some of estimated 14,436 partners who enroll are part of families that will also be enrolling children. According to the ACS, 26.8% of same-sex federal employees have children living in their homes. Previous studies of same-sex couples find that they have, on average, two children.<sup>9</sup> We make the conservative assumption that on average half of the time the children in these households are the employee's and half of the time the children are the non-employee partner's. Children that are either the biological or adopted children of the employee are currently eligible for coverage and are probably already covered by federal health benefits.<sup>10</sup>

For these federal employees, who already have a child enrolled, there is no increase in premium to add a same-sex partner in the short-term. We recognize, however, that the change in policy could result in a very small increase in the average number of individuals insured for each family in the self and family category, which over time could lead to a small increase in average medical care expenditures and, therefore, premiums for that category.

We assume that the children in the remaining households will be eligible to participate in federal health benefits once domestic partners are covered. Table 1 indicates the breakdown in enrollment of partners and partners and children. We estimate that 1,937 employees with same-sex partners will enroll a partner and one uncovered child living in their household.

# of employees enrolling a partner	10,563
# of employees enrolling a partner and child(ren)	1,937
# of employees adding a partner to existing "self + family" coverage (no additional cost)	1,936
<b>Total # of employees affected by legislation</b>	<b>14,436</b>

To calculate the increase in the federal government's expenditures to provide benefits for these additional dependents, we have calculated the cost to the federal government of covering additional partners and children. This figure was calculated by subtracting the government share of the premium for single employee coverage from the government share of the premium for family coverage. The cost both to the employee and federal government of enrolling a partner versus a partner and any children is the same; the only options for enrollment are "self" or "self and family."

Because there are over 300 health plans available to federal employees, the average premium for an individual employee and a family was obtained from OPM. This average premium is weighted by OPM based upon participation in all the plans by federal employees and is based upon the March 31, 2008 OPM headcounts.<sup>11</sup> Postal employees are treated somewhat differently than are other federal employees, and the Postal Service negotiates contracts differently. Therefore, the costs of providing healthcare to postal employees' partners will differ. Table 2 shows the increase in the government's share of the premium when an employee enrolls a partner and/or children in the Federal Employee Health Benefits Program.

Non-Postal Federal Employees (72% of federal employees)			
	Employee Share of Yearly Premium	Government Share of Yearly Premium	Added Cost to Government of Adding Family Coverage
Employee (Self)	\$1,459.92	\$3,538.08	
Employee + Family	\$3,438.60	\$8,137.92	<b>\$4,599.84</b>
Postal Federal Employees (28% of federal employees)			
Employee (Self)	\$933.48	\$4,239.84	
Employee + Family	\$2,152.68	\$9,663.72	<b>\$5,423.88</b>
*figures based upon the 2008 OPM Headcounts and Monthly Weighted Average Premiums			

Our calculations assume that same-sex federal employees are evenly dispersed throughout the federal government and that 72% are non-postal employees and the remaining 28% are postal employees; these figures are taken from the 2008 OPM headcount for all federal employees.<sup>12</sup> Using these figures, we estimate that the cost of adding 14,436 partners and related children to the Federal Employees Health Benefit Plan will be \$60.4 million in the first year. This estimate would constitute an increase of 0.41% in the estimated \$14.3 billion the government will spend on employee healthcare costs in 2008.<sup>13</sup>

Previous studies have suggested a 0.3 to 1% increase in enrollment when employers offer same-sex domestic partner benefits and a similar increase in costs.<sup>14</sup> Our estimate suggests that an additional 14,436 partners and associated children will be enrolled in health insurance. This estimate is in line with prior research since it corresponds to an approximate 0.55% increase in enrollment and a 0.41% increase in overall healthcare costs.<sup>15</sup>

### FEDERAL EMPLOYEES DENTAL AND VISION INSURANCE PROGRAM

The federal government does not pay a portion of the premiums for dental and vision insurance.<sup>16</sup> Thus, we estimate that there would be no increase in government costs due to allowing same-sex federal employees to enroll their partners and any children in the Federal Employees Dental and Vision Insurance Program.

## RETIREMENT BENEFITS: RETIREE HEALTH AND SAVINGS PROGRAMS

### RETIREE HEALTH PROGRAM

Retired federal employees and their surviving spouses have the option of continuing to participate in the federal government health benefit programs.<sup>17</sup> These programs provide additional benefits to complement national programs that are available to all American citizens through the Medicare program.

In order to be eligible to participate in retirement healthcare programs, retirees must have been enrolled in a healthcare plan for at least five years immediately preceding retirement. Spouses and dependent children are also eligible. After a retired employee dies, a surviving spouse is eligible to continue participating in healthcare benefits unless he or she remarries before age 55 or indefinitely if the employee and spouse were married for more than 30 years. While the Domestic Partnership Benefits and Obligations Act does not apply to current retirees' domestic partners, we interpret the bill to require coverage for same-sex domestic partners of current employees when they retire in the future.

Health premiums are paid in part by the employer and in part by the retiree. Premiums are deducted from annuity payments made to retirees or their survivors or must be paid directly to the government. Just as is the case for non-postal federal employees, the federal government pays approximately 70% of health premiums for retirees and their spouses and dependent children and also for surviving spouses and dependents.<sup>18</sup>

For most federal employees, the minimum retirement age ranges from 55 to 57, depending on date of birth. Employees born before 1948 may retire at age 55, those born between 1953 and 1964 may retire at age 56, and those born in 1970 and after may retire at age 57.

Using ACS data, we estimate that approximately 17% of federal employees in same-sex partnerships are age 55 or older and thus will be eligible for retirement in the next year. This compares to an estimated 18% of all federal employees.<sup>19</sup> Federal data about the number of eligible retirees who actually retire after becoming eligible suggest that on average 16% of retirement eligible employees retire each year.<sup>20</sup> Using this figure, we calculate that 1,103 LGB federal employees who have domestic partners will retire in the next year.

Again, using the weighted average premium costs from the OPM, we calculate the additional cost to the federal government of allowing LGB employees to enroll same-sex partners in retiree medical insurance. This figure is based upon the difference between the government share of the premiums for single employees and the cost to the government for employees with a spouse (see Table 3).

*Table 3. Additional Retiree Healthcare Costs to Government for Adding Same-Sex Partners*

	<b>Employee Cost</b>	<b>Government Cost</b>	<b>Added Cost to Government of Adding Family Coverage</b>
Employee (Self)	\$1,610.28	\$3,698.76	
Employee + Spouse	\$3,616.92	\$8,338.08	<b>\$4,639.32</b>

\*figures based upon the 2008 OPM Headcounts and Monthly Weighted Average Premiums

The number of retirees and same-sex partners enrolling in retiree health benefits will likely to be lower for several reasons. First, both the employee and the partner may opt out of retiree health insurance entirely. Conservatively, we do not take this into account in our calculations. Second, some same-sex partners may already have retiree health benefits through another employer and will not enroll. Seventy-four percent of same-sex partners of federal employees are employed full-time.<sup>21</sup> According to the Kaiser Family Foundation's 2007 annual survey of employer health benefits, 33% of employers with 200 or more employees offer retiree health insurance.<sup>22</sup> We then assume that 33% of these partners will have retiree benefits through their employers and will not enroll in the government program. Of the eligible 1,103



partners of same-sex partners of retiring federal employees in the first year, we estimate that 834 will enroll in retiree health insurance. We calculate that it will cost the federal government approximately \$3.9 million in the second year to provide same-sex domestic partner health insurance benefits to retiring federal employees. As current federal employees, who are eligible for domestic partner benefits, retire, this cost will increase. We estimate that in ten years, there will be approximately 7,241 retirees with same-sex domestic partners enrolled in retiree health benefits. The ten year cost projections reflect the increase in the number of retirees.

### RETIREMENT SAVINGS PROGRAM

There are two retirement benefits plans in which current federal employees are enrolled. Employees hired before 1984 are enrolled in the Civil Service Retirement System, which is a defined benefit plan.<sup>23</sup> Those employees hired after December 31, 1983 are covered by the Federal Employees Retirement System, which is a three-part system comprised of Social Security benefits, a basic benefit plan, and the Thrift Savings Plan.<sup>24</sup>

#### *Defined Benefit Plans*

Under both plans, employees and agencies contribute a percentage of the employee's salary to a fund, and upon retirement a particular level of benefits is paid. Both retirement programs give federal employees the option to continue payments after death for surviving spouses or dependents.

Spouses of federal employees may continue to receive monthly benefit payments following the employee's death through a survivor annuity. In order to receive this benefit, the retiring employee must enroll in a dual life annuity plan. Based on the details of the retirement plan as well as the desired level of benefits, an employee's annuity will be reduced by 5-10% when compared to a single life annuity. The level of reduction corresponds to the level of benefits that will be provided to the surviving spouse after the employee's death. While alive, the retired employee's annuity payment is reduced, but after death, a surviving spouse will continue to receive an annuity payment, which is between 50-55% of the unreduced annuity payment. This dual life annuity plan is designed to pay a total benefit over the lifetimes of both the employee and spouse that is equivalent to the benefit paid to an employee via a single life annuity plan. Because survivor benefits are designed to be actuarially equivalent, there are no expected long-term increases in costs associated with allowing LGB employees to opt for a dual life annuity for a same-sex domestic partner.

In the short-term, allowing LGB federal employees to opt for survivor benefits for their partners will actually result in a reduction in annuity payments due to the spousal reduction. Using figures from OPM, the average monthly annuity payment for retirees in 2007 was approximately \$2,244 or \$26,928 per year.<sup>25</sup> A retiring employee opting for a spousal benefit of 50% of their annuity upon death will receive a reduction in his or her monthly annuity payment of 10%, or \$2,693 per year (see Table 4).

*Table 4. Yearly Annuity Payments to Retired Federal Employees*

	<b>Yearly Benefit to Retired Employee</b>	<b>Spousal Option Reduction (10%)</b>	<b>Yearly Benefit to Surviving Spouse (50% unreduced annuity)</b>
Single Life Annuity	\$26,928	\$0	\$0
Dual Life Annuity	\$24,235	<b>\$2,693</b>	\$13,464

\*figures based upon the 2008 OPM Headcounts and Monthly Weighted Average Premiums

Using figures of the number of employees with same-sex partners and the number of employees that retire each year, we estimate that 1,103 employees with same-sex partners will retire in the first year. We can estimate the reduction in annuity payments if employees can opt for a spousal reduction for their same-sex partners. Not all retirees will opt for a dual life annuity; studies have estimated that approximately 72% of married retirees receiving employer-sponsored retirement annuities opted for a spousal benefit.<sup>26</sup> If 72% of the 1,103 employees with same-sex partners predicted to retire each year

opt for spousal survivor benefits, this equates to a \$2.2 million savings in the short-term in the second year. Because the number of retirees opting for spousal benefits will increase over time as employees eligible for domestic partner benefits retiree, the savings will increase over time. We estimate a savings due to spousal reductions in annuity payments of \$22.6 million by year ten. These figures are shown in the ten year projection, and include cost-of-living adjustments.<sup>27</sup> However, in the longer-term, as retirees die and survivor payments begin, the additional survivor payments will begin to reduce the savings.

These finds are similar to those found in the Congressional Budget Office's analysis of a bill that would have provided benefits to all domestic partners, both same-sex and opposite sex.<sup>28</sup> That analysis also found that there was an overall reduction in annuity payments over the ten-year projected period.

#### *Thrift Savings Plan*

For those employees who participate in the Federal Employees Retirement System, there is a plan that allows for employer and employee contributions which functions much like a 401(k), called the Thrift Savings Plan.<sup>29</sup> Upon death, a named beneficiary receives the balance of this plan. Domestic partners can already become named beneficiaries under the Thrift Savings Plan, and the plan makes no distinctions based on marital status in terms of the amount of the government's contributions or the amount of the benefit. Therefore, no fiscal impact results from this program.

Due to the Defense of Marriage Act (DOMA) and Internal Revenue Service (IRS) restrictions, spouses and partners are treated differently when named as the beneficiary of an employee's Thrift Savings Plan. Same-sex partners may receive the balance of the savings plan, but are constrained in the ways that these funds may be withdrawn.<sup>30</sup> Different-sex spouses, on the other hand, may roll the remaining balance into their own retirement account and are not required to make withdrawals until reaching age 70 ½. The proposed legislation will not change this disadvantage to same-sex partners.

## **FAMILY, MEDICAL, AND EMERGENCY LEAVE**

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Under this legislation, federal employees with same-sex partners would be eligible for equivalent benefits provided under subchapters III, IV, and V of chapter 63 of title 5 of the United States code and The Family and Medical Leave Act of 1993 (FMLA), which entitle most federal employees to a total of up to 12 weeks of unpaid leave during any 12-month period for a variety of family and medical purposes, including the birth or adoption of a child, the care of a sick parent, child, or spouse, or time from work for an employee's own medical condition.<sup>31</sup> Currently, married federal employees may use family and medical leave (FML) to care for a spouse who has a serious medical condition, but employees with same-sex partners may not use FML to care for their infirm partners or the children of their partners. Federal employees with same-sex partners or children who need to take time off may already be taking that time as sick or vacation time, but are not protected by the guarantees of job security contained in the FMLA, title 5 of U.S. code, or any other legislation.

Time taken under FML is taken as unpaid leave for federal employees. However, employees are permitted to use accrued sick and vacation time during this time. Employees can accrue this time and either use it at a later date or receive compensation for unused time. So while an employee may still collect a paycheck during allowed leave, the pay would not increase government costs directly because all employees are entitled to sick and vacation leave.

While the government may see no direct personnel costs associated with extending FML benefits to LGB federal employees, there may be other peripheral costs associated with an employee's leave, such as accommodating an employee's absence either through increasing the workloads of other employees, hiring temporary workers, or reduced productivity. Cost estimates conducted by the Congressional Budget Office exclude these peripheral costs; therefore, we do not attempt to estimate them here.

We conclude that allowing federal employees with same-sex partners to take advantage of FML for the care of same-sex domestic partners and any related children would not result in an increase in direct personnel costs.

## **FEDERAL EMPLOYEES GROUP LIFE INSURANCE**

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Under the Federal Employee's Group Life Insurance, federal employees can enroll in a basic life insurance plan. The basic benefit under this plan is equal to the greater of (1) the employee's annual pay rounded to the nearest \$1,000, plus \$2,000, or (2) \$10,000. An employee enrolled in basic life insurance also has the option of enrolling in his or her spouse for up to \$25,000 and each eligible dependent for up to \$12,500.

Presently, the federal government subsidizes one-third of basic life insurance premiums and the employee pays the remainder. The federal government only contributes to the premium of basic life insurance for employees. All other costs, including the cost of optional plans, are paid in-full by the employee. Expanding this benefit to same-sex domestic partners then presents no additional costs to the federal government.

## **LONG-TERM CARE INSURANCE**

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The federal government currently offers long-term care insurance to federal employees and their spouses. This insurance covers chronic care; this type of care is not administered in a hospital and is not intended to provide medical intervention or procedures.

The federal government does not subsidize long-term care insurance premiums. Therefore, there would be no additional costs incurred by offering this benefit to same-sex domestic partners.

## **FEDERAL EMPLOYEE COMPENSATION ACT**

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The Federal Employees' Compensation Act provides benefits to federal employees who are injured or disabled due to work-related injuries and to surviving dependents in the event of a work-related death.

### *FECA Injury and Disability Claims*

Under current law, married employees and employees with dependents receive three-quarters of their weekly salary if injured or disabled, while single employees receive compensation equal to two-thirds their salary.<sup>32</sup>

To calculate the additional costs to be incurred by the federal government through FECA claims filed by LGB employees with recognized domestic partners, we estimate the number of partnered LGB federal employees that may file FECA claims a year. In 2007, there were 134,436 new FECA cases opened, affecting 4.7% of all federal employees.<sup>33</sup> Applying this percentage to the number of partnered LGB federal employees, we estimate that 1,605 partnered LGB employees may file FECA claims.

Because FECA benefits are derived from the base salary of the worker we use the Office of Personnel Management's estimate of the average federal employee salary, \$60,772 per year or \$234 per day.<sup>34</sup> For each day a federal employee without a spouse is away from work and receiving FECA benefits, the employee would receive two-thirds of her pay, or \$156 per day. A federal employee with a spouse would receive three-fourths of her pay, or \$175 per day. We multiply this daily benefit by 41, the average number of days of a FECA-approved disability claim.<sup>35</sup> Thus, the average federal employee on a FECA approved leave receives \$6,389 if single and \$7,187 if married.

Using our previous estimate that 1,605 federal employees with same-sex partners may file FECA claims, we find that it would cost \$10.2 million per year to provide benefits solely for these employees as single

individuals. Recognizing the same-sex domestic partners of these employees would mean that they would receive three-quarters instead of two-thirds pay. This recognition would result in a total cost of \$11.5 million. The actual increase in costs to the federal government, which is the difference between these two numbers, is \$1.3 million.

*Table 5. Estimated Costs for FECA Injury and Disability Claims*

<b>Current FECA Injury and Disability Costs for LGB Employees</b>	<b>Expected FECA Injury and Disability Costs for LGB Employees with Partners</b>	<b>Net increase in cost</b>
\$10.2 million	\$11.5 million	\$1.3 million

*FECA Work-Related Fatality Claims*

In the case of death, a surviving spouse receives 50% of the federal employee’s regular pay. These benefits are paid until death or remarriage if the surviving spouse is under the age of 55. A surviving spouse with children is entitled to 45% of the salary with an additional 15% for each child, but not to exceed 75% of the employee salary. Because the federal government does not recognize same-sex partners or the children of these partners, same-sex partners of federal employees would receive no benefit in the case of the work-related death.

Using 2007 data from the Bureau of Labor Statistics, we can estimate the number of federal employees with same-sex partners who may be killed due to a work-related event. In 2007, 106 federal employees died from occupational injuries.<sup>36</sup> This figure implies an incidence rate of 2.3 fatalities per 100,000 federal employees. With an estimated 34,117 federal employees with same-sex partners, we predict approximately 1 such federal employee will be killed in a work-related injury every 1.27 years. Because surviving spouses receive between 50-75% of the federal employee’s regular pay, we estimate that the recognizing the same-sex partners of federal employees will result in a \$30,386 to \$45,579 in FECA death benefits each year, a negligible increase for the federal budget.

*Table 6. Estimated Costs for FECA Fatality Claims*

	<b>Expected FECA Fatality Costs for Providing Spousal Benefits to LGB Employees</b>
<b>Cost for Surviving Spouse (50% federal salary)</b>	\$30,386
<b>Cost for Surviving Spouse with Children (Maximum 75% federal salary)</b>	\$45,579

**TRAVEL, TRANSPORTATION, AND RELATED BENEFITS**

The federal government provides allowances for a variety of costs involved with work-related travel and mandated relocation. Under current law, the federal government only provides allowances for spouses when a current federal employee is transferred to a location beyond 50 miles of his or her present station. There are two distinct reimbursements possible: a per diem “house-hunting” allowance given to the employee and spouse to scout for a new home, and a subsidy for relocation expenses related to the final move.

First we calculate the number of federal employees with partners who are likely to be transferred in a given year. To do this we use the total number of federal employees with non-federal employee partners, 30,185, and multiply that figure by 1.59%, the percentage of total federal employees relocated in 2003 that received assistance or reimbursement from the government.<sup>37</sup> We estimate that 479 LGBT federal

employee with a non-federal employed partner will relocate and receive federal funds for this relocation in a given year.

The average cost of relocating an existing federal employee is \$40,876.<sup>38</sup> Since most of these costs would be incurred with or without the presence of a partner, we conservatively cut the figure in half, \$20,438, to help estimate the total increased cost to the federal government of covering the relocation costs of a same-sex partner. This figure is multiplied by 479, the number expected transfers of federal employees with a same-sex partner, to yield a total cost of \$9.8 million.

Next, we calculate the estimated additional cost of a house-hunting trip. If the employee and partner travel together, the partner's allowance would be equal to three-fourths of the employee's per diem allowance. If traveling apart, the partner would be entitled to the same per diem rate as the employee. Per diem allowances are calculated based on duration, location, and other specific measures.

In our calculations we use the median per diem allowance, \$147, provided by the U.S. General Services Administration. We assume that most partners will travel together, decreasing the per diem rate to \$110. Multiplying this per diem figure by the total number of same-sex partners, and again multiplying by five days, an assumption about the length of a house-hunting trip, we arrive at a total cost of \$71,276. Combined with the relocation costs, we estimate the annual total cost travel, transportation, and related benefits to be \$10.1 million.

## **POSSIBLE BUDGET OFFSETS FROM PROVIDING DOMESTIC PARTNER BENEFITS**

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This report has estimated the potential budgetary costs to the federal government of extending domestic partner benefits to federal employees in same-sex relationships. In addition to the costs associated with providing domestic partner benefits, the federal budget may experience some reduced expenditures. Unlike the budgetary costs, however, many of these offsetting savings are difficult or impossible to estimate precisely.

### **BUSINESS ADVANTAGES TO PROVIDING BENEFITS**

First, the federal government may be better able to recruit and retain qualified and diverse employees. The number of employers offering domestic partner benefits in the United States is increasing, reducing the attractiveness of federal employment for current or potential federal employees who have same-sex partners. According to the 2008 Human Rights Campaign's Corporate Equality Index (CEI), more than 50% of Fortune 500 firms offer domestic partner health insurance to their employees.<sup>39</sup> Extending domestic partner benefits to federal employees would allow the federal government to compete with top companies for talented and committed employees.

Second, allowing federal employees to enroll their same-sex domestic partners and related children in health insurance may reduce the number of uninsured people, since at least some of those partners and children were likely to be without insurance. A recent study shows that 20% of people in same-sex couples have no health insurance.<sup>40</sup> Uninsured partners and children may be accessing healthcare through costly emergency rooms or may be enrolled in government-provided healthcare programs. Allowing federal employees to enroll same-sex partners and children in the federal employee health program would likely reduce federal expenditures on uncompensated care for those individuals.

### **INCREASED TAX REVENUE FROM DOMESTIC PARTNER BENEFITS**

Allowing federal employees to enroll their same-sex partners in health insurance will also generate an increase in federal income taxes and payroll taxes. Due to the restrictions of DOMA, the IRS currently treats the value of benefits as taxable income or "imputed income."<sup>41</sup> As a result, employees must pay both income and payroll tax (for Social Security and Medicare) on this imputed income, and employers must pay their share of payroll taxes on the imputed income. Employees are also not permitted to pay

for same-sex partner coverage with pre-tax dollars. We employ methods similar to those used in an earlier study to estimate the increase in tax revenue from the passage of this legislation.<sup>42</sup>

We estimated that 14,436 federal employees will enroll a same-sex partner in health insurance. Some of the same-sex partners enrolled will qualify as dependents under the IRS definition. Due to the specific definition of "spouse" in DOMA, the IRS does not recognize same-sex partners as spouses.<sup>43</sup> The only exception is if the employee can prove to the IRS that the same-sex partner is a dependent, which requires that the partner receive more than half of his/her support from the employee, the partner earn less than the current exemption amount (\$3,400 in 2007), and that the partner is a member of the household maintained and occupied by the employee.<sup>44</sup> The passage of the proposed legislation would not alter this arrangement, as the IRS is constrained by DOMA, which does not allow same-sex partners to be treated as spouses for tax purposes. We assume that the partners who do not work will fit this definition (14.3%). Thus 10,119 partners will receive taxable partner benefits.

The IRS does not provide clear definitions for "imputed income," but a commonly used method of calculating imputed income is to measure the increase in the employer's share of the premium for family coverage as opposed to single coverage. In the case of the federal government, this is a yearly cost of \$4,600 for a non-postal employee and \$5,424 for a postal employee.

Tax rates vary based upon income and tax brackets. Using data from the IRS based upon 2006 filings, we can estimate the number of employees in each tax bracket.<sup>45</sup> Using statistics from the IRS about how taxpayers filed and what tax rates they paid, we can then estimate the number of federal employees in each tax bracket. We assume that if 2% of single filing individuals fall within the 5% tax bracket, then 2% of federal employees with same-sex partners fall within the 5% tax bracket. We assume that federal employees in households without children will use the single filing status, while those employees with children will file as heads of households. The ACS data show that 26.8% of federal employees with same-sex partners have children living in their homes.

Distributing federal employees throughout the tax brackets results in employees' marginal tax rate on imputed income ranging from 5% to 35%. Current federal employees will also pay FICA taxes on this imputed income at a rate of 6.2% for Social Security and 1.45% for Medicare. Using these tax rates, we estimate that federal employees will pay approximately \$10.7 million in taxes on imputed income.

*Table 7. Estimated Tax Revenue for Federal Employees Receiving Domestic Partner Benefits*

<b>Employment Type</b>	<b>Filing Status</b>	<b># of Employees</b>	<b>Taxes on Imputed Income</b>
Non-postal (72%)	Single	5,333	\$5,461,429
	Head of Household	1,953	\$1,886,174
Postal (28%)	Single	2074	\$2,504,342
	Head of Household	759	\$864,907
		<b>TOTAL</b>	<b>\$10,716,852</b>

## **UNDERLYING ASSUMPTIONS IN COST PROJECTIONS OVER 10 YEARS**

To estimate the cost of this legislation over the span of ten years, shown in Table 1, several key assumptions were made. In terms of current employee and retiree healthcare costs, we projected a 6.1% increase in healthcare premiums each year, which is taken from the 2007 Kaiser Family Foundation's health benefits survey.<sup>46</sup> Non-healthcare costs were increased over time using the Congressional Budget Office's 2008 estimate of the Consumer Price Index for the next ten years of

2.2%.<sup>47</sup> Because retiree annuity payments are increased each year for cost-of-living adjustments, we used the Social Security cost-of-living adjustments to project annuity payments for future retirees.

We also assumed that the current number of federal employees with same-sex partners remained constant over time. Underlying this assumption is the notion that as current employees retire, the chances that they will be replaced with a federal employee in a same-sex relationship remains relatively stable.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated cost of the proposed legislation is show in Table 8. The costs to the Postal Service of providing benefits to current employees is not included in the overall costs to the federal government, because those costs are to be paid for through Postal Service revenues.

*Table 8. Estimated Costs, In Millions of Dollars*

	Year 1	2	3	4	5	6	7	8	9	10	Total Cost (Over 10 Years)
<b>DIRECT SPENDING</b>											
Retiree Health Benefits	0	3.9	8.1	12.8	18.1	24.2	30.7	37.9	45.5	53.9	235.1
Reduction in Annuity Payments to Retirees and Survivors	0	-2.2	-4.4	-6.7	-9.1	-11.8	-14.4	-17.1	-19.8	-22.6	-108.1
<b>TOTAL, DIRECT SPENDING</b>	<b>0</b>	<b>1.7</b>	<b>3.7</b>	<b>6.1</b>	<b>8.9</b>	<b>12.4</b>	<b>16.3</b>	<b>20.8</b>	<b>25.7</b>	<b>31.4</b>	<b>127.0</b>
<b>DISCRETIONARY SPENDING</b>											
Health Insurance	43.5	46.1	48.9	51.9	55.1	58.5	62.0	65.8	69.8	74.1	575.7
Dental & Vision Benefits	0	0	0	0	0	0	0	0	0	0	0
Family Medical Leave Provisions	0	0	0	0	0	0	0	0	0	0	0
Federal Group Life Insurance	0	0	0	0	0	0	0	0	0	0	0
Long Term Care	0	0	0	0	0	0	0	0	0	0	0
FECA Disability	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1	10.2
FECA Death	*	*	*	*	*	*	*	*	*	*	.36
Travel, Transportation	7.3	7.4	7.6	7.8	7.9	8.1	8.3	8.5	8.6	8.8	80.2
<b>TOTAL, DISCRETIONARY SPENDING</b>	<b>51.7</b>	<b>54.5</b>	<b>57.5</b>	<b>60.7</b>	<b>64.1</b>	<b>67.6</b>	<b>71.4</b>	<b>75.4</b>	<b>79.6</b>	<b>84.1</b>	<b>666.5</b>
<b>POSTAL SERVICE COSTS (OFF-BUDGET)</b>											
Health Insurance	16.9	17.9	19.0	20.2	21.4	22.7	24.1	25.6	27.2	28.8	223.9
Dental & Vision Benefits	0	0	0	0	0	0	0	0	0	0	0
Family Medical Leave Provisions	0	0	0	0	0	0	0	0	0	0	0
Federal Group Life Insurance	0	0	0	0	0	0	0	0	0	0	0
Long Term Care	0	0	0	0	0	0	0	0	0	0	0
FECA Disability	0.36	0.37	0.37	0.38	0.39	0.40	0.41	0.42	0.43	0.44	4.0
FECA Death	*	*	*	*	*	*	*	*	*	*	.14
Travel, Transportation	2.8	2.9	3.0	3.0	3.1	3.2	3.2	3.3	3.4	3.4	31.2
<b>TOTAL, POSTAL SERVICE</b>	<b>20.1</b>	<b>21.2</b>	<b>22.4</b>	<b>23.6</b>	<b>24.9</b>	<b>26.3</b>	<b>27.8</b>	<b>29.3</b>	<b>31.0</b>	<b>32.7</b>	<b>259.2</b>
<b>TAX REVENUE</b>											
Tax Revenue from "Imputed Income" Taxation	-10.7	-11.0	-11.2	-11.4	-11.7	-11.9	-12.2	-12.5	-12.8	-13.0	-118.4
<b>TOTAL, TAX REVENUE</b>	<b>-10.7</b>	<b>-11.0</b>	<b>-11.2</b>	<b>-11.4</b>	<b>-11.7</b>	<b>-11.9</b>	<b>-12.2</b>	<b>-12.5</b>	<b>-12.8</b>	<b>-13.0</b>	<b>-118.4</b>
<b>TOTAL FEDERAL BUDGET COST</b>	<b>41.0</b>	<b>45.3</b>	<b>50.0</b>	<b>55.4</b>	<b>61.3</b>	<b>68.1</b>	<b>75.5</b>	<b>83.7</b>	<b>92.6</b>	<b>102.4</b>	<b>675.1</b>

\* Costs are less than \$40,000

## **CONCLUSION**

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Providing domestic partner benefits to federal employees will allow the federal government to remain competitive as well as retain and recruit the most qualified and diverse workforce.

This report estimates the cost to the federal budget of providing these benefits at \$41.0 million in the first year and \$675 million over ten years. Discretionary spending under the bill would increase by \$51.7 million in the first year and \$666.5 million over ten years. Direct spending would increase by \$127 million over ten years. This legislation would result in \$10.7 million in increased revenue in the first year and \$118 million over ten years.



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- <sup>1</sup> Office of Personnel Management (OPM), Office of the Actuaries. Received via email (August 8, 2008).
- <sup>2</sup> For information about the United States Postal Service and its status as an independent establishment of the executive branch, see "The United States Postal Service: An American History 1775-2006," Publication 100, May 2007. <http://www.usps.com/cpim/ftp/pubs/pub100.pdf?from=postalhistory&page=pub100pdffile<BR>>
- <sup>3</sup> See proposed legislation to shift Postal Service retiree costs from direct, on-budget spending to off-budget, "H.R. 22: Postal Accountability and Enhancement Act, (109<sup>th</sup>). <http://www.govtrack.us/congress/billreport.xpd?bill=h109-22&type=cbo>
- <sup>4</sup> Detailed plan information available at the OPM website, <http://www.opm.gov/insure/health/08rates/index.asp>
- <sup>5</sup> Based upon figures from OPM, Office of the Actuaries. Received via email (August 8, 2008).
- <sup>6</sup> Based upon figures from OPM, Office of the Actuaries. Received via email (August 8, 2008).
- <sup>7</sup> According to the Bureau of Labor Statistics' National Compensation Survey (2008), 68% of full-time, non-federal employees and 15% of part-time, non-federal employees participate in employer-provided health care plans. An estimated 83% of government employees participate in employer-provided healthcare. US Department of Labor, Bureau of Labor Statistics, Table 2. Medical care benefits: Access, participation, and take up rates, National Compensation Survey, March 2008. <http://www.bls.gov/news.release/ebs2.t02.htm>
- <sup>8</sup> This estimate is probably higher than the actual number that will enroll. This figure assumes that all same-sex partners who are eligible for health insurance will enroll. Estimates for state and local government employees suggest that 83% of employees who are offered health insurance participate. Figures for federal employees were not available. US Department of Labor, Bureau of Labor Statistics, Table 2. Medical care benefits: Access, participation, and take up rates, National Compensation Survey, March 2008.
- <sup>9</sup> Adam P. Romero, Amanda K. Baumle, M.V. Lee Badgett, Gary J. Gates. "United States, Census Snapshot." The Williams Institute, December 2007. <http://www.law.ucla.edu/williamsinstitute/publications/USCensusSnapshot.pdf>
- <sup>10</sup> Eligibility requirements for dependents are available at the OPM website, <http://www.opm.gov/insure/health/eligibility/dependents.asp>
- <sup>11</sup> Based upon figures from OPM, Office of the Actuaries. Received via email (August 8, 2008).
- <sup>12</sup> Based upon figures from OPM, Office of the Actuaries. Received via email (August 8, 2008).
- <sup>13</sup> Total amount spent by federal government on health care for current employees calculated using figures from OPM, Office of the Actuaries. Received via email (August 8, 2008).
- <sup>14</sup> M. V. Lee Badgett and Gary J. Gates (2004). "The Business Cost Impact of Marriage for Same-Sex Couples" <http://www.iglss.org/media/files/busimpact.pdf>; Badgett, M. V. L. (2001). *Money, Myths, and Change: The Economic lives of lesbians and gay men*. Chicago and London: University of Chicago Press.
- <sup>15</sup> Total federal enrollment in health insurance is based upon figures from OPM, Office of the Actuaries. Received via email (August 8, 2008).
- <sup>16</sup> Details about the Federal Employees Dental and Vision Insurance Program may be found at the OPM website, <http://www.opm.gov/insure/DentalVision/index.asp>
- <sup>17</sup> Retiree and dependent eligibility is available at the OPM website, <http://www.opm.gov/insure/health/eligibility/annuitants.asp>
- <sup>18</sup> Based upon figures from OPM, Office of the Actuaries. Received via email (August 8, 2008).
- <sup>19</sup> "Analysis of Federal Employment Retirement Data," United States Office of Personnel Management, 2008. [http://www.opm.gov/fedddata/RetirementPaperFinal\\_v4.pdf](http://www.opm.gov/fedddata/RetirementPaperFinal_v4.pdf)
- <sup>20</sup> This figure was calculated using figures from OPM showing the proportion of employees who retire after becoming eligible based upon the number of years after initial eligibility.
- <sup>21</sup> ACS 2005-2006 data.
- <sup>22</sup> "Employer Health Benefits, 2007 Survey," The Kaiser Family Foundation and Health Research and Educational Trust. <http://www.kff.org/insurance/7672/upload/76723.pdf>
- <sup>23</sup> Details about the Civil Service Retirement System and the Federal Employees Retirement System can be found at the Office of Personnel Management website, including Retirement Facts 1 -- The Civil Service Retirement System, November 1997 (Form Number: RI 83-1) <http://www.opm.gov/retire/html/library/csrs.asp>
- <sup>24</sup> Details about the Federal Employees Retirement System can be found at the Office of Personnel Management website, FERS -- Federal Employees Retirement System (An Overview of Your Benefits), April 1998 (Form Number: RI 90-1) <http://www.opm.gov/retire/html/library/fers.asp>.
- <sup>25</sup> Federal Civilian Workforce Statistics, The Fact Book, 2006. Office of Personnel Management, pg 92. Estimates were calculated using 2005 figures and cost-of-living adjustments from the Social Security Administration, <http://www.ssa.gov/OACT/COLA/colaseries.html>
- <sup>26</sup> See Johnson et.al, "Who forgoes survivor protection in employer-sponsored pension annuities?" *The Gerontologist* 45:26-35, 2005, for an estimate of married employees who opt for single versus dual life annuities.
- <sup>27</sup> Calculated using the Social Security Cost-of-Living Adjustments, <http://www.ssa.gov/OACT/COLA/colaseries.html>

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- <sup>28</sup> "H.R. 2426 Domestic Partnership Benefits and Obligations Act of 2003," Congressional Budget Office, August 2003.
- <sup>29</sup> Details about the Thrift Savings Plan can be found at the Office of Personnel Management website, FERS -- Federal Employees Retirement System (An Overview of Your Benefits), April 1998 (Form Number: RI 90-1) <http://www.opm.gov/retire/html/library/fers.asp>.
- <sup>30</sup> Pension Protection Act of 2006, Pub. L. No 109-280, 120 Stat. 780 (2006).
- <sup>31</sup> Examples of excluded federal employees include: employees with less than one year of service are excluded, as are employees of the District of Columbia, intermittent employees, Congressional employees, including those in the Government Accountability Office or the Library of Congress, and Executive Office of the President employees.
- <sup>32</sup> "Benefits Under the Federal Employees Compensation Act" <http://www.cpol.army.mil/library/permis/2541e.html>
- <sup>33</sup> Number of FECA claims taken from Department of Labor. "FECA: Moving Forward An Overview of Coming Initiatives in FY2008." Last accessed, September 22, 2008: <http://www.scribd.com/doc/1703099/Department-of-Labor-FECA20IA20working20rev3>
- Calculation also uses a figure for total civilian employment from the United States Equal Employment Opportunity Commission. "Equal Opportunity in the Federal Workforce." Last accessed, September 22<sup>nd</sup>, 2008: <http://www.eeoc.gov/federal/fsp2004/section1a.html>
- <sup>34</sup> Office of Personnel Management. Federal Civilian Workforce Statistics 2005 edition. Last accessed September 17<sup>th</sup>, 2008: <http://www.opm.gov/FedData/factbook/2005/factbook2005.pdf>
- <sup>35</sup> Supra note 32.
- <sup>36</sup> <http://www.bls.gov/iif/oshwc/foi/CFI Rates 2007.pdf>
- <sup>37</sup> We use percentages obtained from data based on the experiences of cabinet level departments which account for 91% of all federal civilian employment. The General Services Administration. "Government wide Relocation Advisory Board: *Findings and Recommendations*. September 15<sup>th</sup>, 2005. Last accessed September 19, 2008: [http://www.gsa.gov/gsa/cm\\_attachments/GSA\\_DOCUMENT/Findings\\_and\\_recommendations\\_R2-yMA0\\_0Z5RDZ-i34K-pR.pdf](http://www.gsa.gov/gsa/cm_attachments/GSA_DOCUMENT/Findings_and_recommendations_R2-yMA0_0Z5RDZ-i34K-pR.pdf)
- <sup>38</sup> Id. Calculated using the FY 2003 average cost from the General Services Administration, inflated to 2008 value using the Social Security Cost-of-Living Adjustments, <http://www.ssa.gov/OACT/COLA/colaseries.html>
- <sup>39</sup> Human Rights Campaign 2009 Corporate Equality Index, [http://www.hrc.org/documents/HRC\\_Corporate\\_Equality\\_Index\\_2009.pdf](http://www.hrc.org/documents/HRC_Corporate_Equality_Index_2009.pdf)
- <sup>40</sup> See Michael A. Ash and M.V. Lee Badgett, "Separate and Unequal: The Effect of Unequal Access to Employment-Based Health Insurance on Same-Sex and Unmarried Different-Sex Couples," *Contemporary Economic Policy* 24(4):582-599, 2006.
- <sup>41</sup> See, for example, IRS Private Ruling 200108010, November 10, 2000.
- <sup>42</sup> See M.V. Lee Badgett, "Unequal taxes on equal benefits: The taxation of domestic partner benefits," The Williams Institute and The Center for American Progress, December 2007. <http://www.law.ucla.edu/williamsinstitute/publications/UnequalTaxesOnEqualBenefits.pdf>
- <sup>43</sup> See, for example, IRS Private Letter Ruling 200108010, Nov. 17<sup>th</sup>, 2000.
- <sup>44</sup> See definition of "dependent" at IRS website: [http://www.irs.gov/pub/irs-utl/mod\\_4 - tax tutorial.pdf](http://www.irs.gov/pub/irs-utl/mod_4 - tax tutorial.pdf)
- <sup>45</sup> "Individual Complete Report (Publication 1304), Table 3.4, Tax Year 2006," Internal Revenue Service <http://www.irs.gov/taxstats/indtaxstats/article/0,,id=133521,00.html>
- <sup>46</sup> "Employer Health Benefits, 2007 Survey," The Kaiser Family Foundation and Health Research and Educational Trust. <http://www.kff.org/insurance/7672/upload/76723.pdf>
- <sup>47</sup> CBO Budget Projections, [http://www.cbo.gov/ftpdocs/89xx/doc8935/01-24-Senate\\_Testimony.shtml](http://www.cbo.gov/ftpdocs/89xx/doc8935/01-24-Senate_Testimony.shtml)