

## ALLIED UNIVERSAL® HEALTH AND WELFARE PLAN

### **DOMESTIC PARTNER AND CIVIL UNION PARTNER HEALTHCARE COVERAGE POLICY**

Documents Attached:

Attachment A - Affidavit of Tax Qualified Dependency

Attachment B - Statement of Termination of Domestic Partnership or Civil Union

#### **POLICY**

Allied Universal (the “Company”) seeks to promote acceptance of diversity in all its dimensions. In light of this goal, the health benefits (where approved by the carrier) provided to domestic partners and civil union partners are the same benefits as provided to spouses of legally-married employees. For purposes of this policy, a common law marriage will be treated as a legal marriage if the marriage occurred in a state that recognized common law marriage at the time the marriage occurred.

A domestic partnership or civil union is recognized by Allied Universal when the relationship meets the definition of a domestic partnership or civil union. Whether there is a valid domestic partnership or civil union is subject to any verification of that relationship that is requested by the Company or a third-party designated by the Company to conduct eligibility verification.

Children of domestic partners or civil union partners are eligible for benefits under the same conditions as the children of employees’ legal spouses. Except where noted, domestic partners and civil union partners and their enrolled dependents generally receive the same or equivalent benefits as spouses and their enrolled dependents.

Note that some courts have recognized non-marriage relationships as the equivalent of marriage for the purpose of establishing and dividing community property. A declaration of common welfare, such as the registration of a domestic partnership or civil union, may therefore have legal implications.

#### Definition of a Domestic Partnership

The Company defines a domestic partnership as two individuals of the same sex or the opposite sex who have a committed relationship of indefinite duration with mutual obligations akin to those of marriage, which include financial responsibility for each other. Except as otherwise provided under applicable state law the partners must have lived together for at least one year and intend to do so for an indefinite period of time. Both partners must be at least 18 years of age and not related by blood to a degree that would bar marriage in their state of residence. Neither partner may be married to another person, or in a civil union or domestic partnership with another person. If the state of residence allows registration of a domestic partnership, the partners must be registered.

#### Definition of Civil Union

A civil union is a legally recognized relationship that is subject to registration in the state in which the partners reside.

## PROCEDURE

### Termination of a Domestic Partnership or Civil Union Partnership

1. A domestic partnership ends when:
  - The employee and/or domestic partner decide to end the relationship (where the partnership is registered with the state, the state's requirements for termination of the partnership must be followed), or
  - The employee or the domestic partner dies, or
  - The relationship changes such that it no longer meets the Company's definition of a domestic partnership, for those partnerships that are not registered with the state. A relationship no longer meets the Company's definition of a domestic partnership when the relationship fails to meet one or more of the criteria stated in the above definition. An example of a relationship that no longer meets the Company's definition of a domestic partnership would be an employee who, although he or she considers him or herself in a committed relationship to his or her domestic partner, no longer resides in the same house and/or no longer shares a joint financial relationship.
2. A civil union ends when:
  - The employee and/or civil union partner decide to end the relationship in accordance with applicable state law, or
  - The employee or the civil union partner dies.
3. The employee is responsible for notifying the benefits department of the end of the domestic partnership or civil union partnership. The notification must conform to the following guidelines to be considered a valid notification to the Company.
  - The employee must submit a completed and signed Statement of Termination of Domestic Partnership or Civil Union Partnership along with a Qualified Life Event form to the benefits department within thirty-one (31) days of the termination of the partnership (Attachment B). Go to [www.allieduniversalbenefits.com](http://www.allieduniversalbenefits.com) or contact the benefits department to obtain a copy of the form.
  - The employee must also provide a copy of the statement to his/her domestic partner or civil union partner within the 31-day period.

Failure of the employee to notify the benefits department of the termination of a domestic partnership or civil union partnership in accordance with the above noted guidelines may be considered fraud and appropriate disciplinary action, up to and including termination of employment, may result.

After terminating a domestic partnership, the employee must then wait one year from the date of the notice before registering another domestic partnership. The only exception is if the employee registers a state-recognized domestic partnership, or civil union.

### Continuation of Coverage

Although not required under federal law, the Company has elected to offer COBRA coverage to domestic partners and civil union partners and their covered dependents. If a qualifying event occurs, your domestic partner and civil union partner and his or her covered dependents have the option of continuing group medical, dental and vision coverage.

## **TAX INFORMATION ON HEALTH BENEFITS FOR DOMESTIC PARTNERS AND CIVIL UNION PARTNERS**

The amount of your contribution to provide health benefits for a domestic partner and children of a domestic partner and civil union partner will be the same as for a spouse and his or her children. The cost of coverage for a spouse and stepchildren is not subject to federal income and employment taxes. However, under federal tax law, for a person who is not a spouse or a stepchild through marriage, a payment for health benefit coverage is **not excluded** from tax, unless the person is a "dependent" as defined in the Internal

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Revenue Code. The tax consequences of a domestic partnership or civil union are the responsibility of the employee, not the Company.

If unmarried, the value of benefits provided to an employee's domestic partner or civil union partner (and his or her eligible children, if any) is considered part of the employee's taxable income, unless the employee's domestic partner or civil union partner qualifies as a dependent under Section 152 of the Internal Revenue Code. The Company will treat the value of the benefits provided to the employee's domestic partner or civil union partner (and his or her eligible children, if any) as part of the employee's income and will withhold the taxes on the value of those benefits from the employee's paychecks. If your domestic partner or civil union partner (and his or her children, if any) are not your tax qualified dependents, the payments for coverage under the Company's benefit programs will be deducted from your salary on a pre-tax basis and then the total value of the coverage provided to your domestic partner or civil union partner (and his or her dependent children, if any) under the Company's benefit programs will be considered taxable to you. The Company will withhold federal and, where applicable, city and state taxes on the additional amount. The value of the coverage provided to your domestic partner or civil union partner (and his or her children, if any) will be based upon the cost of the coverage under the Company's benefit program.

If your domestic partner or civil union partner (and his or her children, if any) are your tax qualified dependents under section 152 of the Internal Revenue Code, you must provide AlliedBarton with an Affidavit of Tax Qualified Dependency (Attachment A) for the value of their health coverage to be excluded from federal tax. If your domestic partner or civil union partner (and his or her children, if any) qualify as tax qualified dependents, the cost of coverage under the Company's benefit programs will be deducted from your pay on a pre-tax basis and no additional amount will be considered additional income to you.

If your domestic partner or civil union partner (and his or her children, if any) experience a change in status that causes them to become (or no longer be) tax qualified dependents, you should inform the corporate benefits department within 31 days of the change, so that the value of the coverage of benefits provided under the Company's benefit programs may be taxed (or not taxed) appropriately.

**A Note About State Taxes:** State tax rules differ from state to state. Whether and to what extent you are taxed on the value of health coverage provided to your domestic partner or civil union partner (and his or her children, if any) will be determined under the laws of your state of residence. Unless otherwise noted, this Policy addresses only the federal tax consequences of domestic partner/civil union partner coverage.

#### Definition of Dependency

Under the definition in Section 152 of the Internal Revenue Code, your domestic partner or civil union partner is a dependent if he or she:

- receives over half of his or her support from the employee for a year (support includes food, shelter, clothing, medical and dental care, education and must be compared to total support including the partner's income); and
- has as his or her principal abode the employee's home for a year and is a member of the employee's household for a year;
- is not anyone's qualifying child dependent for income tax purposes, other than someone who is not required to file a U.S. income tax return or who files only to get a refund of withheld income tax; and
- meets IRS residency test (in general, is a citizen or national of the US, Mexico, or Canada)

If you elect to have eligible children of your domestic partner or civil union partner covered by the Company's benefits program, the same rules of dependency apply. The value of the coverage will be taxable to you unless the children are your tax dependent(s). So, for example, if the children do not have their principal place of residence in your home even though they might receive over half of their support

from you, the children are not your qualified tax dependents and the value of the coverage under the Company's benefit programs will be taxable to you.

We suggest that you consult a tax advisor to determine whether you may claim your domestic partner or civil union partner (and/or his or her children, if any) as dependents for tax purposes before you certify that they are dependents.

#### Other Important Information

Questions regarding this policy should be directed to the corporate benefits department.

#### Conflict with Laws

Where there exists a conflict between the Policy discussed above and state, local or federal laws, any portion of the Policy contrary to the law of a specific jurisdiction in which this Policy is in effect will be controlled by the applicable state or federal law, and only such portions of this Policy that are in conflict with the law or regulation will be modified.

#### Reservation of Rights

This Policy supersedes and revokes any other practice or policy of the Company relating to domestic partner or civil union partner healthcare coverage. The Company reserves the right to interpret and administer this Policy, and at any time and at its sole discretion amend or change this Policy, in whole or in part, with or without notice. This Policy is not an express or implied contract of employment, nor is it to be interpreted as such. Additionally, this Policy does not in any way affect or change the status of any at-will employee.

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## Attachment A

### Affidavit of Tax Qualified Dependency

This form should only be completed in conjunction with Allied Universal's enrollment process, including verifying your dependents with our third-party vendor, if requested, if you are certifying that a domestic partner or civil union partner and/or children of the partner is/are your **IRS-defined tax dependents**, and thus they are **not** subject to federal income and FICA taxes that would normally be assessed on the value of the health plan benefits for those individuals.

Do not complete this form:

- For children of the employee who are eligible dependents of the employee, aside from the domestic partnership or civil union relationship.
- If your domestic partner or civil union partner and his or her children are not your tax-qualified dependents.
- If you and your partner are married.

Carefully read the "Federal Tax Information for Domestic Partner and Civil Union Partner Benefits" on the next page. You may also want to consult a tax advisor before completing this form.

Employee Information:

Name	Employee #
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**List your enrolled domestic partner and each of his or her children, as applicable, only if you declare them to be your tax-qualified dependent(s).**

	Name
Partner	
Partner's child	
Partner's child	

#### CERTIFICATION

I have read the "Federal Tax Information for Domestic Partner and Civil Union Partner Benefits" and have had an opportunity to consult with a tax advisor. I hereby certify that the individuals listed above, whom I am enrolling in coverage under AlliedBarton's benefit programs, are my legal tax dependents under Section 152 of the Internal Revenue Code (even if I do not claim them as dependents when filing my federal income tax return). I understand that falsely certifying dependency status could result in disciplinary action, including termination of my employment as well as potential claims of tax fraud. I further agree to notify the Company immediately of any change in the qualified dependent status of my domestic partner or civil union partner or his or her children.

I affirm under penalty of perjury, that the assertions in this Affidavit of Tax Qualified Dependency are true and correct to the best of my knowledge and belief.

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Employee Signature

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Date

## **Federal Tax Information for Domestic Partner and Civil Union Partner Benefits**

An employee's taxable income associated with enrolling a domestic partner or civil union partner and/or the partner's child in an employer-sponsored healthcare plan can be meaningful. This document is not specific legal or tax advice and therefore, employees considering domestic partner or civil union partner benefits are advised to consult their tax advisor.

In general both the Company's and the employee's cost of providing unmarried domestic partner or civil union partner benefits is considered taxable income by the IRS. When an employee enrolls their domestic partner or civil union partner or the partner's child in an employer-sponsored healthcare plan, the employee's contribution and the Company's contribution for that coverage are the same as for a spouse and a spouse's child. However, if your partner and his or her children are not your tax qualified dependents, the payments for coverage under the Company's benefit programs will be deducted from your salary on a pre-tax basis and then the total value of the coverage provided to your domestic partner or civil union partner and his or her dependents under the Company's benefit programs will be considered taxable to you. The Company will withhold federal and, where applicable, city and state taxes on the additional amount. The value of the coverage provided to your domestic partner or civil union partner and his or her children will be based upon the cost of the coverage under the Company's benefit program. The amount of the additional income depends on the plan in which the employee is enrolled and the resulting level of coverage (employee, employee plus one or family).

Associated federal taxable income can be avoided if the domestic partner or civil union partner and/or the partner's child(ren) are the employee's IRS-defined tax dependents. If the domestic partner or civil union partner and/or partner's children are IRS-defined tax dependents of the employee, the employee should submit the enclosed Affidavit of Tax Qualified Dependency form to the Corporate Benefits department.

For a non-family member, such as a domestic partner or civil union partner, to qualify as a dependent, several IRS tests must be satisfied.

The domestic partner or civil union partner must:

- receive over half of his or her support from the employee for a year (support includes food, shelter, clothing, medical and dental care, education and must be compared to total support including the partner's income); and
- have as his or her principal abode the employee's home for a year and be a member of the employee's household for a year; and
- not be anyone's qualifying child dependent for income tax purposes, other than someone who is not required to file a U.S. income tax return or who files only to get a refund of withheld income tax; and
- not break any local laws by engaging in the relationship; and
- meet the IRS residency test (in general, be a citizen or national of the US, Mexico, or Canada).

If the child of the domestic partner or civil union partner meets similar dependency tests, the value of the child's benefits may also be excluded from taxation.

If the employee is considering certifying his or her partner as a tax dependent, consulting a tax advisor is recommended. Falsely certifying a tax dependent may result in charges of tax fraud and disciplinary action.

In order to estimate the additional taxable income related to domestic partner or civil union partner benefits, contact the Corporate Benefits department for monthly premium information. Calculate the additional taxable income using this formula:

Total plan costs for all enrolled individuals - Total plan costs for tax qualified individuals = Additional Taxable Income

Note: "total cost" includes both the Company's contribution and the employee's contribution. These tax costs are in addition to the employee's payroll contribution for health plan coverage.

## Attachment B

### Statement of Termination of Domestic Partnership or Civil Union

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Employee Last Name, First Name, Middle Initial

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Employee #

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Former Partner Last Name, First Name, Middle Initial

I, the above employee, hereby declare that my domestic partnership or civil union with the above domestic partner has terminated. I understand that:

- Benefits provided under any benefit programs sponsored by Allied Universal (the "Company") shall terminate as of the date hereof for my former domestic partner or civil union partner and any covered children who do not continue to be my qualified tax dependents.
- My former domestic partner or civil union partner and any of his or her children who lose coverage under the Company's benefit programs as a result of the termination of my domestic partnership or civil union partner will be offered the opportunity to elect health care continuation coverage (i.e. COBRA coverage), if allowed by the carrier, under the Company's benefit programs. The rates for the continued coverage will be the prevailing Company rates plus a 2% administrative fee.
- The termination of my domestic partnership will not alter any beneficiary designation in effect under any benefit programs. If my former domestic partner or civil union partner is named as my beneficiary under any benefit program, I may name another beneficiary on forms provided by the Corporate Benefits department.
- In the event that we resume our domestic partnership or civil union, coverage under the Company's benefit programs will not be available again until I complete and satisfy the requirements of the Affidavit of Domestic Partnership or Civil Union.
- If my domestic partnership or civil union was registered in my state of residence, I am required to follow any requirements imposed by the state in order to terminate the domestic partnership or civil union. If I fail to follow those requirements, my domestic partnership or civil union will not be terminated.
- I will send a copy of this form to my former domestic partner or civil union partner at the following address:

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I affirm under penalty of perjury, that the assertions in this Affidavit of Tax Qualified Dependency are true and correct to the best of my knowledge and belief.

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Employee Signature

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Date