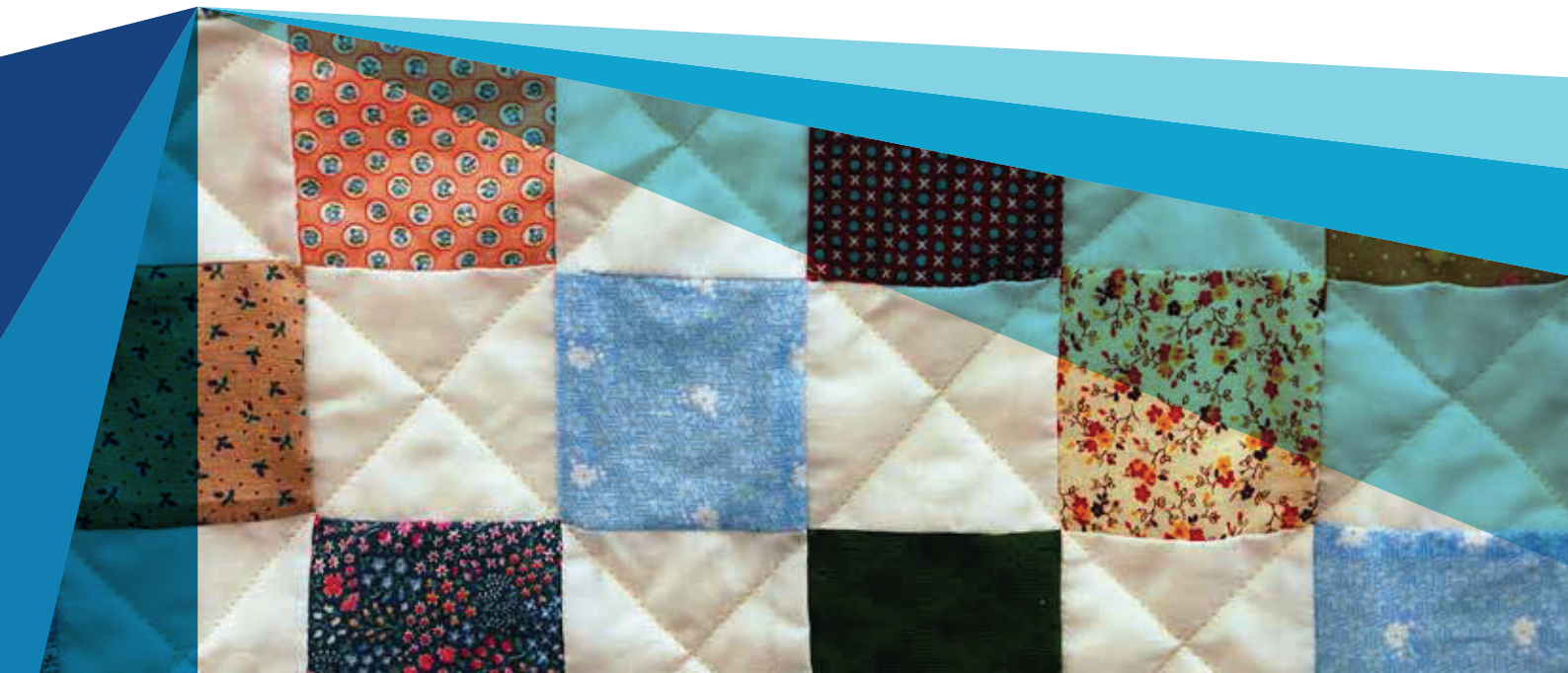


THE COST OF INCONSISTENCY

QUANTIFYING THE ECONOMIC BURDEN TO AMERICAN
BUSINESS FROM THE PATCHWORK QUILT OF MARRIAGE LAWS

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EXECUTIVE SUMMARY

We live under a patchwork quilt of marriage laws in the United States today: freedom to marry for same-sex couples has expanded to 32 states with recent actions by the Supreme Court, and could shortly expand to more,¹ but more than one-third of same-sex couples still reside in states where they are denied this fundamental right. Recent rulings leave the question of national freedom to marry unsettled, and same-sex couples face unequal treatment depending on the state in which they live or work.

For American businesses, inconsistent marriage laws impose a significant economic burden – specifically a \$1.3 billion annual cost². As marriage confers a host of legal and social privileges, the irregular landscape generates a host of administrative and compliance requirements for employers, arising with the need to establish and maintain multiple benefits³ policies and HR-related systems that apply to same-sex couples who live under the patchwork quilt.

A second element of the burden is taxation. When benefits are offered to same-sex couples who live in states without freedom to marry, the value of these benefits generates a tax penalty for employers and employees. Normally considered a cost of doing business, the value of these benefits is treated as ordinary income for an employee in a same-sex household, triggering added payroll and income taxes. This discriminatory taxation on the “imputed” income applies both to couples who were married in another state (who must pay a state tax penalty) and those couples that are not able to travel elsewhere to exercise the right of marriage (who pay both a state and federal penalty).

The June 2013 *Windsor* decision, which overturned Section 3 of the Defense of Marriage Act (DOMA), partially reduced this economic burden by creating equal benefit and tax treatment for married same-sex couples at the federal level. That change saved the private sector \$619 million in 2014. Recent rulings expanding marriage freedoms are likely to save an additional \$108 million beginning in 2015. However, the majority of the burden – driven by administrative and compliance costs given the patchwork quilt – persists. This burden will rise to \$1.4 billion by 2018, and cost the private sector \$6.6 billion over this five-year period. And while the ongoing tax burden is highest in non-freedom to marry states, the administrative burden is highest in states with the freedom to marry, such as California and New York, which are home to large numbers of private employers.

While the law continues to evolve, a majority of private-sector employers are advancing policies that are inclusive of employees in same-sex households. Most recognize that equal access to benefits is now a baseline requirement in the war for talent; some go farther and

1 As of October 30th, same-sex couples have the freedom to marry in AK, AZ, CA, CO, CT, DE, HI, IA, ID, IL, IN, ME, MD, MA, MN, NC, NH, NJ, NM, NV, NY, OK, OR, PA, RI, UT, VA, VT, WA, WI, WV, and WY, plus Washington, DC. Circuit court rulings could shortly expand freedom to marry to KS, MT and SC.

2 Economic burden estimates for 2015 forward assume that freedom to marry extends to all 32 states referenced in Note 1.

3 Benefits in our analysis generally refers to dependent health care benefits, benefit equalization may include access to other categories of benefits (retirement, insurance coverage). We have not reflected other benefit costs in this analysis.

mitigate the tax burden these benefits generate. Although these actions – extending equal benefits and compensating for unfair tax penalties – are generally viewed as positive signals of inclusion and fairness and they are the focus of much of this economic analysis, it is also true that the very need for these policies arises from discriminatory treatment of same-sex couples in many states. Employers find themselves in the challenging position of managing inconsistent policies, differential access to benefits, and burdensome tax calculations and compliance processes on behalf of employees in same-sex households. They must track legal changes state by state and month by month. As many corporate leaders now view national freedom to marry as inevitable, they would prefer that this tax and compliance burden disappear sooner rather than later. Maintaining the patchwork quilt of marriage laws prolongs an unnecessary, multibillion dollar burden on the private sector.

This report, written by Marsh & McLennan Companies in partnership with Freedom to Marry and Out & Equal, details how this burden has arisen, where this burden is concentrated, and how it is experienced by private-sector US businesses and families.

Here are some of the highlights of our findings:

- Every additional day of inconsistent marriage laws will cost the private sector \$3.5 million. During the three months it took to research and write this report, this burden amounted to \$319 million.
- The annual costs would cover the salaries of 19,000 workers.⁴
- The bulk of the burden comes in the form of administrative cost borne by employers, which amounts to \$1.2 billion in 2014. As an example, a medium-sized employer in Florida with 2,500 employees will spend \$96,000 in the first year of providing equal benefits and tax compensation to same-sex couples, an amount that would pay for two additional employees earning the US median household income.
- The tax burden today stands at \$28 million, dropping from a peak of \$92 million in 2012, but the tax penalty for individual same-sex households in states without the freedom to marry remains significant. In Montana, a same-sex couple with two children and earning \$45,000 will pay \$2,200 more in taxes than they would if the state had equal marriage freedoms. A similar household in Minnesota saved 16% of their tax bill once freedom to marry became the law in 2013.
- States without the freedom to marry bear the majority of the tax penalty. Employers and employees in five states – Arizona, Georgia, Florida, Ohio, and Texas – pay more than \$2 million in extra taxes per year.
- Five-year savings after Section 3 of DOMA was overturned and after the October 2014 Supreme Court decision will amount to \$3.3 billion, but overall savings would amount to \$9.7 billion with freedom to marry nationally.

⁴ Assuming salaries at the US median income level and a typical tax and benefit multiplier, on an ongoing basis.

SECTION 1: A PATCHWORK QUILT EMERGES

Beginning in the mid-1990's, some progressive businesses moved ahead of policy and began proactively offering equal benefits to their employees in same-sex households. As with many matters of policy, they moved faster to end discriminatory practices, well before the states were prepared to do so. In 2004, Massachusetts became the first state to grant same-sex couples the full freedom to marry. In the ensuing decade, 18 other states and the District of Columbia followed Massachusetts in offering freedom to marry.

With the Supreme Court's 2013 decision in *United States v. Windsor*, striking down Section 3 of the Defense of Marriage Act (DOMA), the federal government began dismantling its own discriminatory treatment of legally-wed same-sex couples. For the purposes of tax, immigration, inheritance, and most other instances of law, the federal government now honors their legal marriages. The October 2014 actions of the Supreme Court, letting stand rulings in the 4th, 7th, 9th, and 10th Circuits that struck down same-sex marriage bans as unconstitutional, have affirmed the freedom to marry in additional states in those circuits, with expansion expected in the rest in the very near future. There are only three remaining states in those circuits that don't yet have marriage - KS, SC, and MT. Still, even with a broad near-term expansion, same-sex couples in 18 states, comprising approximately one-third of the US population, will continue to live without this basic freedom. The Court's recent actions have left same-sex couples in these states – and employers across the country – groping in the dark, as significant uncertainty exists about how the law will apply to these unions.

Over the past decade, more private-sector companies have moved to equalize access to benefits for their LGBT employees and their spouses – motivated both by a sense of fairness and by the recognition that inclusiveness for LGBT employees (and members of other minority groups) is a baseline requirement in increasingly competitive talent markets. As of 2014, 69% of all large employers, 51% of all mid-sized employers, and 46% of all small employers⁵ that offered health benefits also offered benefits equalization for couples in same-sex households, covering 57% of private-sector employees. In the upcoming 2015 plan year, for the first time a majority of all employers⁶ – 51% – will offer equal benefits to same-sex couples. In fact, 1.7% of employers will go so far as to compensate eligible employees for the additional tax required on the imputed income for those equal benefits.

After the *Windsor* ruling, employers in freedom to marry states are required to treat married same-sex couples just as they treat married different-sex couples. Access to benefits is equalized, and the value of these benefits is no longer taxed at the state or federal level.

⁵ Large employers have 5,000+ employees, mid-sized employers have 500 to 4,999, and small employers have 15 to 499.

⁶ Considers private-sector employers with 15 or more employees that offer health benefits.

However, in states that ban the freedom to marry, there is no such equal treatment. Same-sex couples in these jurisdictions do not have equal access to benefits or equal treatment in taxation and many other circumstances derived from the law, and they may be subject to discriminatory treatment by their employers. Adding to the complexity is that some of these states honor the marriages of same-sex couples from other states; some do not. Some states follow federal filing status for the purposes of calculating state taxes; some do not.

Herein lies enormous complexity: a gay couple married in New York but residing in Georgia will file federal taxes one way and state taxes another. If an employer provides the couple with benefits, they must pay taxes on the imputed income to the state, but not to the federal government. The burden created by inconsistent laws goes far beyond taxes as employers bear significant administrative and compliance costs in designing and implementing benefits policies across multiple jurisdictions, building systems to maintain those policies, and communicating policies and their implications to employees. To be certain, the burden falls heavily on companies that treat all employees equally, but in the wake of the *Windsor* decision, the compliance burden is significant for any employer – large or small – that operates across state lines.

This report was written by Marsh and McLennan Companies and its subsidiaries, Oliver Wyman and Mercer, in partnership with Freedom to Marry and Out & Equal. Our goal was straightforward: to quantify the economic burden of inconsistent marriage laws on private-sector employers. In conducting our analysis, we relied on a detailed survey of 5,000 employers to understand their practices regarding employees in partnered same-sex households. Our economic analysis focused specifically on policies pertaining to benefits and tax equalization, as these are the most measurable actions employers are taking to end discriminatory treatment of married same-sex employees. We conducted in-depth interviews with a range of employers to understand their efforts to establish competitive talent practices and comply with changing legal requirements. Finally, we validated our assumptions and methodology with subject matter experts at Mercer, UCLA School of Law's Williams Institute, and Lambda Legal, leaders in matters pertaining to talent management and the legal and economic status of LGBT citizens.

SECTION 2: MANAGING UNDER THE PATCHWORK QUILT

Employers have largely spoken with respect to equal treatment for same-sex households and have moved quickly over the past decade to equalize access to benefits and, increasingly, the tax consequences therein. But providing equal access to benefits to their talent has generated a significant administrative and compliance burden – one exacerbated by the inconsistent marriage laws across different state jurisdictions.

This administrative burden can be broken down into four categories:

- One-time costs associated with the policy decision by an employer to offer benefits to same-sex couples and the design of the organization’s approach for doing so,
- One-time costs associated with implementing that approach, including costs for any required systems changes, training of human resources staff that will operationalize the policy, and communication of the policy to eligible employees,
- Ongoing costs associated with the maintenance of benefits systems to administer benefits to same-sex couples, to calculate imputed income and/or tax equalization payments, and to provide employee relations support for accessing appropriate benefits and understanding the tax implications of benefits,
- Ongoing costs associated with monitoring regulatory changes, reviewing the standing policy, and ensuring compliance with state and federal regulations.

The first category of cost applies primarily to employers that proactively have offered equal benefits to same-sex couples. Following the *Windsor* decision, the other categories of cost are also borne by every employer that operates across multiple regulatory jurisdictions, regardless of the inclusiveness of their benefits policies.

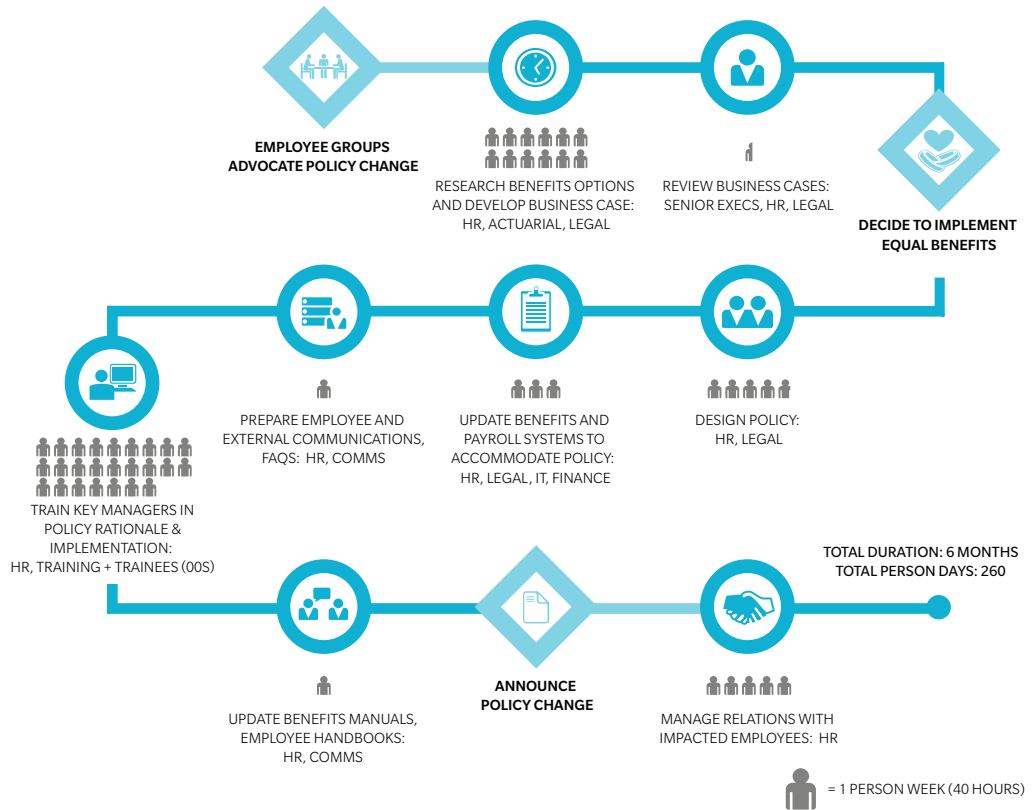
To understand how this burden is distributed across the private sector of the US economy, we segmented employers by size and level of progressiveness. Employers fall into three categories by size: small (employers having 15-499 employees), mid-sized (500-4,999 employees), and large (5,000 or more employees). We excluded all public-sector employers (by definition) and those who do not offer health benefits. We also excluded employers with fewer than 15 employees, as many do not offer benefits, and because demographic and census data on very small employers is less robust. Our analysis therefore included a universe of 784,515 employers and 87.4 million employees, representing 77% of the US employed population.

Employers also differ in the extent that their policies explicitly include same-sex households:

1. Employers that do not offer domestic-partner benefits to unmarried same-sex couples
2. Employers that offer equal benefits to same-sex couples in states without freedom to marry, but do not offer tax equalization payments
3. Employers that offer equal benefits to same-sex couples and tax equalization payments

This assessment of benefits offerings determined the scope of the administrative and compliance burden for employers of each size.

STEPS TO IMPLEMENT EQUAL BENEFITS FOR SAME-SEX COUPLES



THE ADMINISTRATIVE BURDEN WITHIN THE ENTERPRISE

Exhibit 1 summarizes the costs borne by private-sector employers of varying size as they develop and administer competitive talent policies across jurisdictions with inconsistent marriage laws. We developed these estimates based on in-depth interviews with a cross-section of employers, and they reflect different talent practices and employee relations approaches. The employers we interviewed included leading companies in financial services, consumer retail, technology, transportation, and manufacturing. We interviewed early movers that developed approaches more than a decade ago, as well as companies that are just rolling out benefits equalization policies in 2014.

The midpoint assessed in each category of Exhibit 1 reflects the costs for employers that proactively offered equal access to benefits to their LGBT employees – now a majority of large and mid-sized companies. As expected, our interviews revealed a range for each cost activity within each type and size of employer. Administrative costs for an employer offering tax equalization are often higher, as they frequently involve additional systems implementation, policy development, and reviews. Costs are generally lower for employers that have not proactively offered benefits equalization to same-sex couples, as only the last cost category (policy tracking and system maintenance) applies. But even for these employers, the complexity of compliance rose after Section 3 of DOMA was overturned.

EXHIBIT 1: ADMINISTRATIVE COSTS ASSOCIATED WITH MANAGING INCONSISTENT MARRIAGE LAWS

COSTS FOR AN EMPLOYER THAT OFFERS DOMESTIC-PARTNER BENEFITS ONLY, BY EMPLOYER SIZE

	ONE-TIME COSTS US\$		ONGOING ANNUAL COSTS US\$		TOTAL (UP TO) US\$
	CREATE CORPORATE APPROACH	IMPLEMENT POLICY	MANAGE EMPLOYEE RELATIONS AND MAINTAIN SYSTEMS	MONITOR POLICY CHANGES AND ENSURE COMPLIANCE	
Small (15-499 employees)	3,600 2,500-5,500	6,000 5,000-7,000	100 50-200	1,700 500-2,500	15,200
Mid-sized (500-4,999 employees)	29,900 25,000-33,000	32,000 28,000-40,000	2,800 1,300-4,300	4,900 3,000-7,000	84,300
Large (5,000+ employees)	45,000 25,000-65,000	82,000 40,000-170,000	4,500 2,500-7,000	5,500 3,000-8,000	250,000

Additionally, our interviews revealed several drivers that contribute to an employer having higher-than-average one-time set-up and/or ongoing administrative costs:

- Poor understanding of LGBT workplace issues.** In organizations where the basic understanding of the benefits, tax, and marriage status of LGBT colleagues was low – early movers or those companies without an active LGBT employee resource group (ERG) – the process of developing and implementing relevant policies took longer and was more costly. Such organizations generally involved a greater cross-section of leaders and functions in developing the policy and undertook more intensive training and communication programs. By contrast, organizations with an active resource group and greater issue familiarity needed less time and spent less in their policy development, training, and communication efforts.

“Because we had an active LGBT group, we had a lot of support in rolling out this policy, which dramatically reduced the training and communication burden.”

– An executive in a major technology company

- Large, geographically dispersed workforces.** Several employers with worksites spread across hundreds or thousands of locations (e.g. consumer retail, banking) reported especially intensive efforts to train HR staff and communicate with employees once the policy was developed. Employers with more concentrated worksites (e.g. large manufacturers) reported lower costs in these areas.

“We have thousands of locations in many states. We had to train more than 1,000 managers on the policy so that they could address questions from all of our employees, not just our LGBT colleagues who were directly impacted.”

– An executive in a major financial services institution

- Conservative approach to managing stakeholder relationships.** Employers concerned with public or customer backlash over the announcement of an LGBT-inclusive policy spent considerable resources socializing their decision with outside stakeholders. Senior leaders spent time to proactively communicate their rationale – ending discriminatory treatment of same-sex couples – and mitigate potential negative reactions.

“We had our senior leaders talking to legislators and religious leaders ahead of the public announcement to mitigate any potential reaction. We weren’t going to back off, but we wanted to give them a heads up – tell them in our own words why we were making this move.”

– An executive in a multi-state retailer

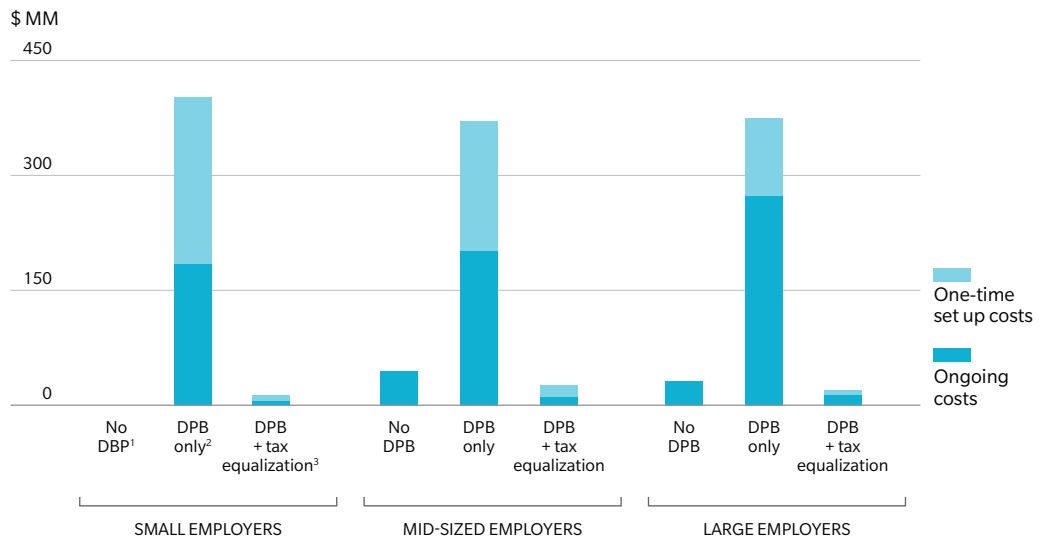
For the purposes of our analysis, we estimated an average cost for employers of each size and level of progressiveness, reflecting what we judged to be the core requirements for administering these policies and complying with the relevant laws.

THE ADMINISTRATIVE BURDEN IN AGGREGATE

Based upon our understanding of the dynamics within individual firms, we applied these estimates to our universe of private-sector employers to calculate the national burden, summarized in Exhibit 2.

EXHIBIT 2: THE NATIONAL, ANNUAL BURDEN OF ADMINISTRATIVE COSTS

2014, BY SIZE AND INCLUSIVENESS OF COMPANY



1. No DBP: The employer does not offer domestic partner benefits to same-sex couples

2. DPB only: The employer offers only domestic partner benefits to same-sex couples

3. DPB + tax equalization: The employer offers domestic partner benefits and tax equalization to same-sex couples

The administrative burden is split roughly evenly across small, mid-sized, and large employers. Despite low individual company costs, small employers bear a substantial portion of the national administrative burden, due to their very large numbers. In the most recent census, 85% of private-sector employers with more than 15 employees offering health benefits were classified as “small.” In 2014, costs for this segment amounted to \$400 million, 32% of the national burden. Large employers carry an annual burden of \$410 million (33%), and mid-sized employers carry an annual burden of \$426 million (35%).

Employers offering domestic partner benefits bear the largest portion of the administrative burden, most of that in companies that offer only domestic partner benefits to same-sex couples, not tax equalization. They are bearing costs of \$1.1 billion in 2014, 89% of the national administrative burden. In the same year, employers offering both domestic partner benefits and tax equalization carried a \$59 million annual burden. Interestingly, employers that do not offer any benefits to same-sex couples bear slightly higher costs, amounting to \$76 million. While taking no proactive action to offer equal benefits or tax treatment, they must still offer different benefits

designs across states with different marriage laws, monitor the evolving legal landscape, and manage benefits complexity when couples in same-sex relationships move from one jurisdiction to another. In today's complex legal environment, no company escapes the burdens of the patchwork quilt.

DISADVANTAGED IN THE TALENT WAR

While our report does not reflect the challenges businesses face when trying to attract talent into non-freedom to marry states, we heard a clear message when talking to executives: top talent demands an equal and inclusive workplace. One Ohio-based small-business owner put it this way:

"We are a fast-growing tech business committed to building our business in Cleveland. It's been hard enough to compete with New York, Chicago, or DC for talent, but now we are at a further disadvantage because Ohio doesn't recognize the legal marriages of same-sex couples. I know of cases where corporations want key employees to transfer to Ohio but they refuse because our state doesn't recognize their marriage. This puts Ohio business at a disadvantage in the fight for recruiting talent."

SECTION 3: UNEQUAL FREEDOMS, UNEQUAL TAXATION

The final component of the economic burden is not the largest, but it is in some respects the most pernicious. As employers implemented benefits equalization for same-sex households in the last decade, it became clear that, while a welcome advance for same-sex households, it came with a hefty tax bill. The value of these “equal” benefits was considered imputed income for tax purposes by state and federal entities. In practice, that meant that an employer offering equal benefits had to calculate additional payroll and income taxes for any employee who accessed these benefits. Employers pay payroll taxes on the imputed income, and employees pay both payroll and income⁷ tax on the imputed income. The *Windsor* ruling dramatically reduced this burden, as the federal government no longer taxes benefit costs for married same-sex employees (see analysis of *Windsor* Ruling Tax Savings in Section 4). However, in states without the freedom to marry, the value of those benefits is still treated as incremental income for state tax purposes. And same-sex couples that have not traveled out-of-state to get married, federal and state taxes still apply. In some cases, progressive employers offer tax equalization to compensate the employee for their addition tax burden; in other words, the employer bears the full tax burden.

EXHIBIT 3: 2014 NATIONAL TAX BURDEN BY EMPLOYER TYPE

2014, BY SIZE AND INCLUSIVENESS OF COMPANY

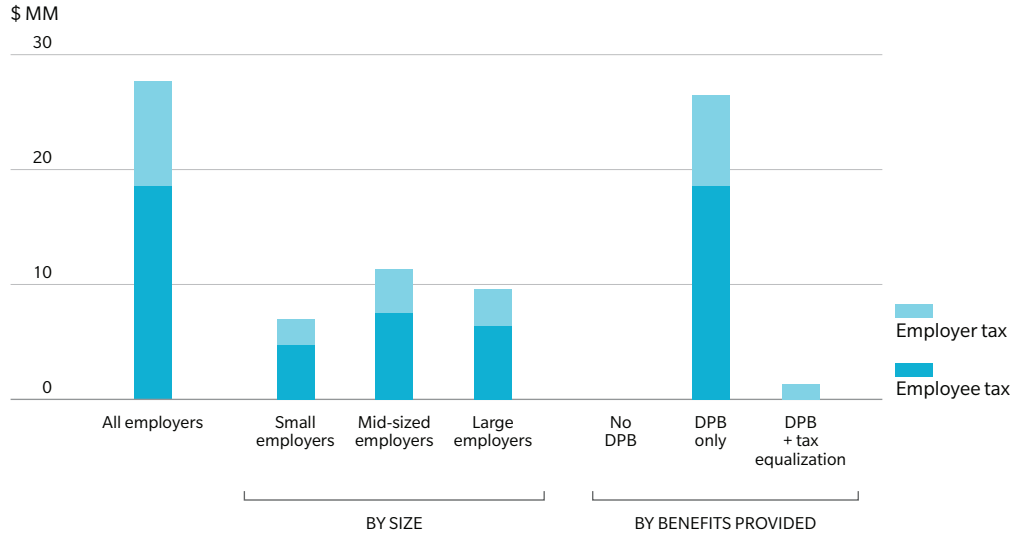


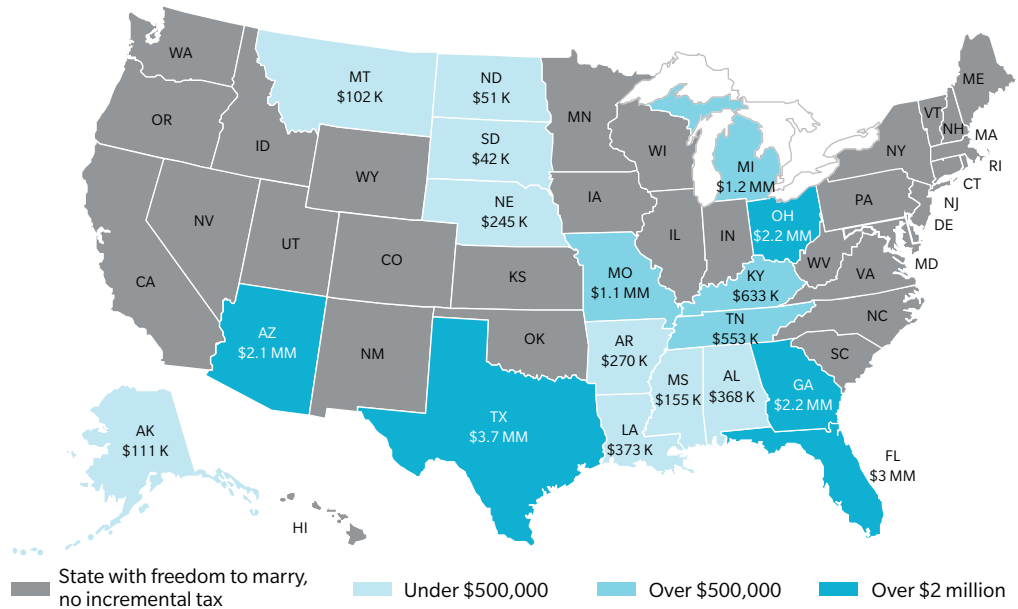
Exhibit 3 summarizes the national tax burden, which amounted to \$27.5 million in 2014, down from a peak of \$93 million in 2012, reflecting the impact of the *Windsor* decision. Recent rulings expanding the number of states with freedom to marry will generate further tax savings in 2015 and beyond. The largest portion of the tax cost is generated by employment in mid-sized

7. Income tax includes both state and federal income tax.

companies, and employees bear more than two-thirds of the overall burden. While taxes account for less than 2% of the total burden on the private sector, they are a significant burden on individual employees and their families.

Exhibit 4 provides a projection of how the tax burden will be distributed across the 50 states in 2015, if freedom to marry expands to all states (a total of 32) covered by rulings in the 4th, 7th, 9th, and 10th Circuits

EXHIBIT 4: ANNUAL TAX BURDEN BY STATE (2015 PROJECTION)



NOTE: Total tax costs include the state income tax, federal income tax, and FICA taxes due on an employee's imputed income, multiplied by the estimated number of partnered employees receiving same-sex domestic partner benefits in that state.

Not surprisingly, the tax burden is concentrated in states without freedom to marry but with a large LGBT population. Several states without state income tax, like Texas and Florida, still generate a high tax bill because not all same-sex couples are able to travel outside of the state to marry. Lacking that status, unmarried same-sex couples are required to pay federal income tax on any domestic-partner benefits they receive, and their employers are taxed accordingly. Census and polling data allowed us to identify the portion of same-sex couples in these states that are married; no federal tax costs were attributed to couples with this status.



SECTION 4: THE COST BURDEN IN THE POST-WINDSOR WORLD

With the June 2013 ruling in the *United States vs. Windsor*, the US Supreme Court struck down Section 3 of the Defense of Marriage Act, which had legislated discriminatory treatment of married same-sex couples by the federal government. As a result, same-sex couples in freedom to marry states had access to equal benefits and tax treatment by the federal government. But the real-world situation remains complex, particularly after recent court actions. It is unclear how quickly and broadly those Circuit court rulings will apply. Many companies have taken time to modify benefits policies for same-sex couples. Some states have yet to issue guidance on how married same-sex couples should file taxes.

In our analysis, we assumed that the incremental tax burden for married same-sex couples in freedom to marry states was eliminated with the *Windsor* ruling, as those couples now have the same rights and privileges as different-sex couples. In non-freedom to marry states, married same-sex couples and their employers have been relieved of the federal tax burden, but they are

A TALE OF TWO FAMILIES – MINNESOTA AND MONTANA

Household: Two same-sex parents with two children, base income of \$45,000

	FAMILY IN MINNESOTA, MARRIED PARTNERS		FAMILY IN MONTANA, UNMARRIED PARTNERS	
	PRE-WINDSOR RULING ²	POST-WINDSOR RULING	PRE-WINDSOR RULING	POST-WINDSOR RULING
Base Income ¹ – Salary and/or wages	45,000	45,000	45,000	45,000
Imputed income on partner health benefits	\$6,912	\$0	\$6,364	\$6,364
Total taxable income	\$51,912	\$45,000	\$51,364	\$51,364
Federal income tax due	\$7,268	\$5,850	\$7,191	\$7,191
Payroll tax due	\$3,971	\$3,443	\$3,929	\$3,929
State tax due	\$3,893	\$3,375	\$3,544	\$3,544
Total taxes due	\$15,132	\$12,668	\$14,664	\$14,664
Total additional tax burden to employee	\$2,465	\$0	\$2,267	\$2,267 ³
% of tax savings after <i>Windsor</i> ruling		16%		0%

Same-sex parent families in states without the freedom to marry bear a significant tax penalty they would not face if they resided in states with freedom to marry.

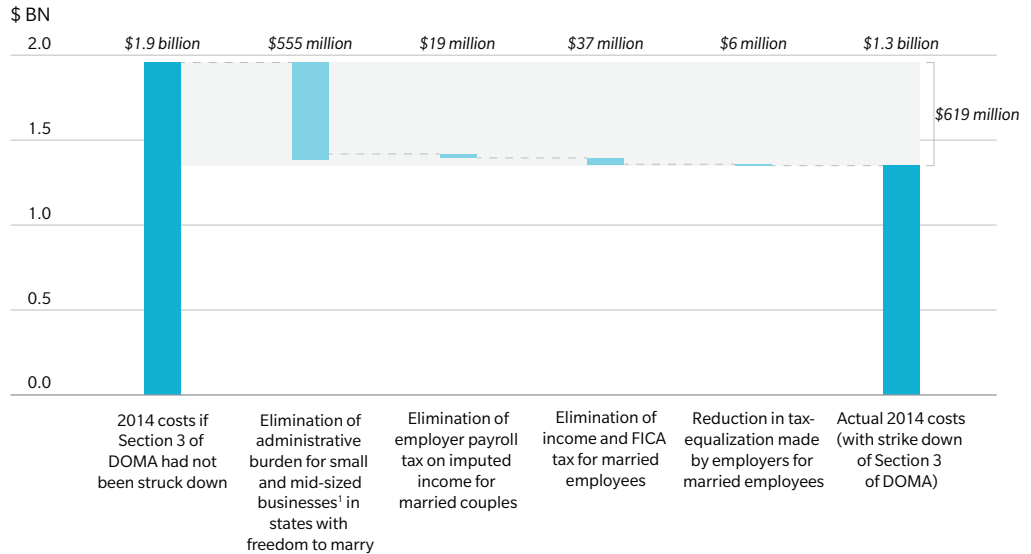
1. Base income is salary and/or wage income after exemptions and deductions.
2. Minnesota recognized freedom to marry in 2013, before the *Windsor* ruling.
3. Avoidable tax if Montana recognized the freedom to marry, and the couple filed jointly as married.

still liable for state income taxes; same-sex couples that have not travelled out of state to get married are liable for all federal and state taxes on imputed income.

Across the 50 states, the *Windsor* ruling generated savings of \$619 million to US businesses in 2014. These savings are summarized in Exhibit 5.

EXHIBIT 5: NATIONAL COST SAVINGS REALIZED IN 2014 BY THE WINDSOR RULING

2014, BY SIZE AND INCLUSIVENESS OF COMPANY



1. Includes mid-sized businesses that only operate in a state with freedom to marry.

The largest component of the *Windsor* savings, \$556 million, came from the elimination of the administrative costs for small and mid-sized employers that operate only in freedom to marry states and offer equal benefits for same-sex couples, and no longer need to maintain special systems to support their preferred policies. There were also \$63 million in tax savings in 2014 because the imputed income on benefits provided to legally married same-sex couples are no longer taxed at the federal level. The October 2014 expansion of freedom to marry states will likely generate a further savings of \$108 million – a mix of reduced administrative and tax cost – beginning in 2015. Exhibit 6 show portrays how the national economic burden has evolved over time, and our projection of changes through 2018.

While the *Windsor* ruling generated potential five-year savings of over \$3 billion, in its immediate wake, all employers faced significant one-time costs to review current policies and ensure compliance with the change in federal regulations. It is important to note that these one-time compliance costs were highest for employers that had never addressed the issue of benefits equalization for same-sex couples. The Supreme Court’s recent decision not to address the question of national freedom to marry may further exacerbate the administrative cost burden in the short term, as employers face the prospect of adjusting benefits policies, employee communications, and tax and payroll systems on a more or

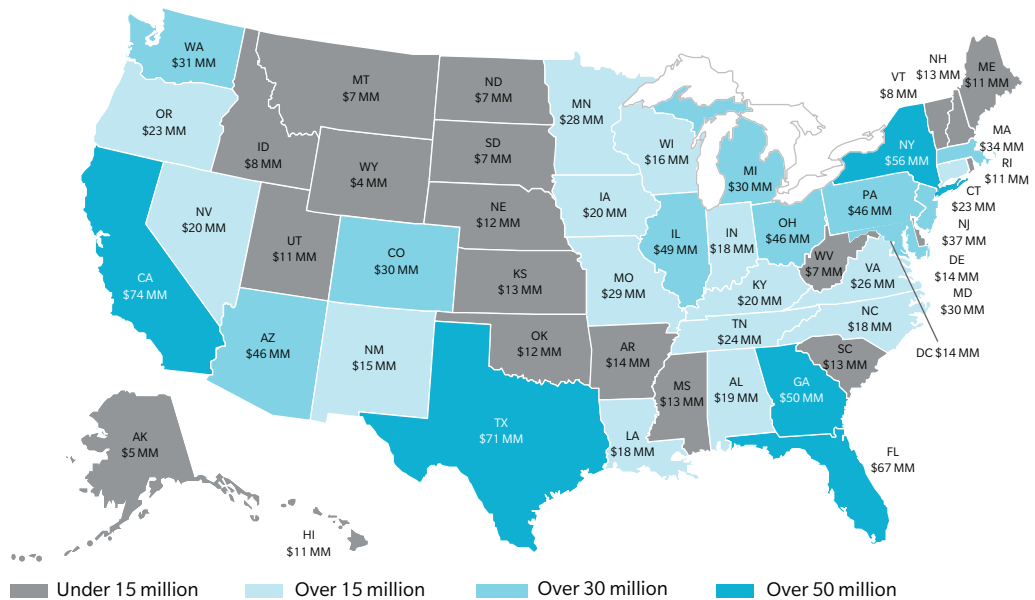
less continuous basis. The open questions they face are many: *Which states will see full freedom to marry this year? Which might slip into 2015? What precisely should be done with respect to benefits and taxes for employees in same-sex households? When might there be a consistent, national policy that will eliminate the need for multiple systems and redundant administrative activity?*

8. For more detail on the growth rates of employers offering same-sex domestic partner benefits, see Appendix on page 18.

SECTION 5: CURRENT STATE AND FUTURE OUTLOOK

After Section 3 of DOMA was overturned in 2013, we have seen an interesting pattern emerging in the distribution of the economic burden across the 50 states: while the ongoing tax burden to employers and employees is disproportionately concentrated in non-freedom to marry states, the administrative and compliance burden is more evenly distributed and highest in freedom to marry states, such as California, New York, and Illinois, that are home to many multi-state employers with inclusive benefits policies. This pattern is illustrated in Exhibit 6.

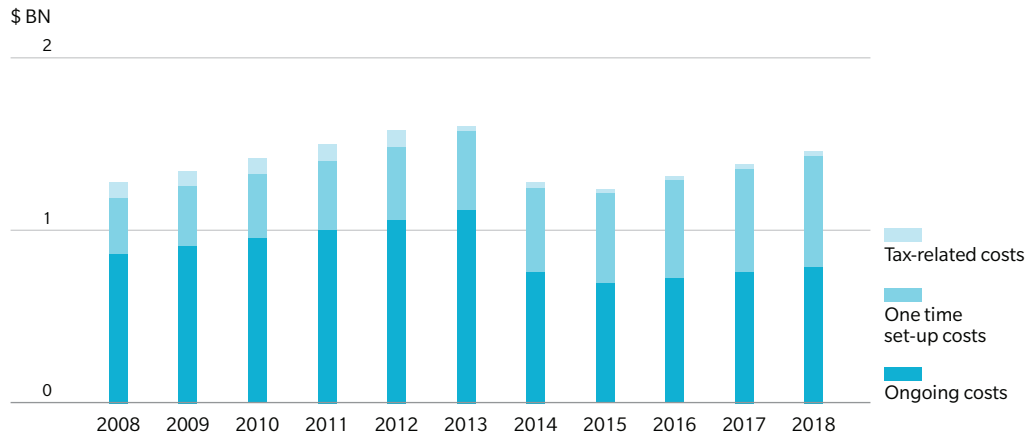
EXHIBIT 6: THE TOTAL 2015 ECONOMIC BURDEN OF INCONSISTENT MARRIAGE LAWS BY STATE



NOTE: Total costs include tax costs borne by employees and employers, set-up costs to provide same-sex domestic partner benefits and tax equalization, and ongoing costs to maintain compliance with state and federal policies.

With each passing year, more employers are advancing inclusive benefits policies for their employees. In 2013 among large corporations, already 67% that offered health benefits also offered equal access to benefits, and that number is growing by 3% per year. Small and mid-sized companies are adding these benefits at rates of 8% per year. Without a ruling by the Supreme Court affirming freedom to marry nationally, we expect the talent market consensus to consolidate, and a greater portion of employers will push to equalize benefits and tax treatment for same-sex households. Administrative and tax burdens will grow. Exhibit 7 illustrates the projected outlook if the patchwork quilt of freedom-to-marry laws is maintained.⁸

EXHIBIT 7: THE NATIONAL BURDEN OF INCONSISTENT MARRIAGE LAWS OVER TIME, 2008-2018



The majority of projected costs are driven by the administrative and compliance complexities of the post-*Windsor* world. Currently, all large employers that operate in multiple jurisdictions must maintain multiple benefits policies for employees in same-sex relationships: married couples living in FTM states, married couples living in non-FTM states, and couples in non-FTM states who don't yet have access to marriage. They have to review federal and state rule-making to understand how tax treatment will evolve, and employ additional accounting staff to calculate imputed income. They have to adjust benefits options, withholdings, and tax calculations when a valued employee transfers between locations with variation in how they treat married, same-sex couples.

EQUALITY GAINS MOMENTUM

"We wanted to do something on domestic partner benefits, but because our home is in the South, we were a bit cautious. We didn't want to be out there alone in the public's eye. But when two organizations in our area announced they were providing domestic partner benefits, and nothing happened... no big outcry, no real reaction... well, then we realized it was the time to move."

– An executive in a regional financial services company

In a competitive talent market, and in a cultural context where a majority of Americans now support the freedom to marry, managing this complexity seems decidedly unnecessary. Given that the Supreme Court in October 2014 chose not to rule on the question of freedom to marry, the burden will not only persist, it will grow, exceeding \$1.4 billion annually by 2018.

CONCLUSION

The private sector is ahead of federal policy, certain state policies, and the courts on the issue of marriage equality for same-sex households. Moreover, according to national polls, 59% of Americans believe that freedom to marry should be the law of the land in all 50 states.

Almost half of employers that offer benefits provide health coverage and/or tax policies that are inclusive of same-sex households. In doing so, they confront a hefty tax bill and an onerous administrative and compliance burden that now stands at \$1.3 billion annually. Absent national freedom to marry, annual costs for the US private sector will top \$1.4 billion by 2018 and amount to \$6.6 billion over five years.

For business, the economic analysis is compelling. Inconsistent national policy penalizes the private sector, especially mid-sized and large businesses. The message we draw from this analysis is that national freedom to marry will save the private sector billions in unnecessary costs and taxes.

The authors wish to acknowledge the substantial contributions of Pei Chen and Roxana Gharegozlou in conducting the analyses supporting this report.

NO REGRETS

“Yes, we spent a lot of time and resources. Yes, we involved scores of senior people. Yes, we had to modify our benefits and payroll systems. Did we ever regret the move? Not for a second. We knew that this was the right thing to do for our people and our business.”

– An executive in a leading national commercial bank

APPENDIX

SCOPE OF THE STUDY

The report examines the economic impact of inconsistent marriage laws on private-sector employers and employees across the 50 states.

The universe of employers considered in the report includes private-sector employers with 15 or more employees that offer health benefits to their employees.

1. The report uses the Census Bureau's 2011 Country Business Patterns for the count of private-sector employers by size in each state.
2. All public-sector employers are excluded by definition.
3. Employers with fewer than 15 employees are also excluded because most do not offer benefits and data on their employment practices is less robust and/or granular.
4. For the purposes of assessing administration and compliance costs we considered three size categories: small employers (15 to 499 employees), mid-sized employers (500 to 4,999 employees) and large employers (5,000 or more employees).
5. The rate of employers offering health benefits was sourced from the 2012 Medical Expenditure Panel Survey. This rate was applied to calculate the number of private-sector employers with 15 or more employees that offer health benefits.

The universe of employees considered for our taxation calculations includes employees in same-sex households who work for private-sector employers that have 15 or more employees. The following steps were used to calculate this number in each state.

1. Using 2010 census data, our analysis identified the total number of married and unmarried same-sex partner households with and without children. The report adjusts the self-reporting of married and unmarried households following the same adjustment method the Williams Institute uses to account for self-reporting inconsistencies of LGBT households. See "Same-sex couples in US Census Bureau Data: Who gets counted and why," Gary Gates, Williams Institute, 2010 for methodology.
2. For this report, only households with working individuals under 65 years of age were considered. The percentage of the population that is under 65 years of age was sourced from 2013 Census Table H2: Households, by Type, Age of Members, Region of Residence and Age of Householder. The number of single and dual earner same-sex households is sourced from Alm and Leguizamon's (2013) analysis of 2010 American Community Survey data. These sources were combined to calculate the percentage of all same-sex households that are single vs. dual earners by state, marital status, and dependent status. To identify the number of working, same-sex partnered individuals, dual earner households are multiplied by two to reach the number of partnered LGBT employees per state, and single earner households are multiplied by one. The analysis assumes the rate of single earner and dual earner households is the same between married and unmarried couples. This calculation accounts for unemployment.

3. To identify the number of partnered, LGBT employees that work for private-sector companies with greater than 15 employees, the analysis multiplies the number of partnered, LGBT individuals that are working by the percentage of the total population that works for private-sector companies that have 15 or more employees. In order to calculate the number of employees working for employers of each size in each state, it was assumed that LGBT partnered employees work at small, mid-sized, and large companies at the same rates that non-LGBT employees do. The analysis multiplies the number of LGBT partnered employees in each state by the percentage of employees in that state working for small, mid-sized, and large employers; the percentage is pulled from 2011 Census, County Business Patterns data.

CALCULATING ADMINISTRATIVE COSTS

To calculate the costs associated with managing inconsistent laws regarding the freedom to marry, the report determines the costs at the employer level, segmented by size, location, and benefits offerings, and multiplies these costs by the number of employers that incur those costs.

SEGMENTING EMPLOYERS BY SIZE, BENEFITS OFFERINGS, AND LOCATION OF OPERATIONS

1. The cost an employer bears is dependent on its size, benefits offering, and the location of its operations. Employers were divided into the three size categories described earlier, and further segmented by the scope of benefits offered to same-sex couples:
 - Employers that do not offer domestic partner benefits to same-sex couples
 - Employers that offer domestic partner benefits to same-sex couples
 - Employers that offer domestic partner benefits to same-sex couples and offer tax equalization
2. The report leveraged the 2013 Mercer Survey of Employer-Sponsored Health Plans, which included data on employers by size and benefits offerings in each region of the US.
3. Administrative costs are based on the location of operations, and more specifically, whether an employer operates in one or multiple states, and whether it operates in states without the freedom to marry.
 - A. The report assumes that all small employers operate in a single state, 50% of mid-sized employers operate in multiple states, and all large employers operate in multiple states. These assumptions are developed using a combination of sources: 2013 BLS data on the number of total employers that operate in multiple states, the Census Bureau, 2007 Survey of Business Owners, and Dunn & Bradstreet employer databases.
 - B. The report assumes that employers that operate in multiple states operate in states with different freedom to marry laws; i.e. a multi-state employer headquartered in Alabama, a non-freedom to marry state, would also operate in at least one state with the freedom to marry; likewise, a multi-state employer headquartered in Oregon, which has the freedom to marry, would also operate in at least one state without the freedom to marry.

CALCULATING ADMINISTRATIVE COSTS AT THE EMPLOYER LEVEL

Cost estimates were developed based on in-depth interviews with employers of varying sizes, geographies, and industries, as well as benefits consultants who administer these policies on behalf of thousands of companies. The report segments the costs employers incur as a result of inconsistent freedom to marry laws into four categories that are labeled either one-time costs or ongoing costs. Exhibit A.1 outlines the activities associated with each cost category.

EXHIBIT A.1: ADMINISTRATIVE COSTS ASSOCIATED WITH MANAGING INCONSISTENT FREEDOM TO MARRY LAWS

	TYPES OF COSTS	ACTIVITIES INCLUDED IN EACH COST TYPE
One-time set-up costs	Create corporate approach	<ul style="list-style-type: none"> • Prepare proposal for HR and senior leadership recommending the inclusion of domestic partner benefits for same-sex partners in the benefits policy • Senior executive and HR decision-making process regarding implementation of policy change • Design of the policy that includes offering of domestic partner benefits for same-sex partners • Legal and compliance to review policy and certify policy is in compliance with local, state, and federal law
	Implement policy	<ul style="list-style-type: none"> • Update internal benefits system or work with TPA to ensure execution of policy. Systems must be able to calculate imputed income from benefits for tax purposes • Update payroll systems to deduct benefits payment, prepare employee communications materials, and update benefits letters and communications materials • Communicate policy change and implications of the change to employees • Train HR on administration of policy
Ongoing costs	Manage employee relations and maintain systems	<ul style="list-style-type: none"> • Manage benefits administration when employee transfers between states or employee status changes • On-board new employees • Manage inquiries about tax implications of benefits
	Monitor policy changes and ensure compliance	<ul style="list-style-type: none"> • Monitor regulatory changes • Review policy annually • Monitor benefits and payroll systems

The first category of cost applies primarily to employers that proactively have offered equal benefits to same-sex couples. Following the *Windsor* decision, the other categories are borne by every employer that operates across multiple regulatory jurisdictions.

Based on the findings from our in-depth interviews with employers and with benefits experts at Mercer, the report considers a range of the costs incurred by each employer segment for each cost category. In the course of interviews, employers were asked to detail the direct full-time-equivalents (FTEs) dedicated to each activity. The analysis multiplies the total FTEs (in person days) for each activity by the cost of employee time (salary + benefits) to determine the cost of that activity. The analysis distinguishes between the cost of executive, senior, and junior level resources in the calculations, and national median salaries were used for each compensation category.

Because costs vary by size, benefits offering, and location of operations, the report identifies different costs for employers in each segment. These costs by employer segment are detailed in Exhibit A.2.

EXHIBIT A.2: ADMINISTRATIVE COSTS ASSOCIATED WITH MANAGING INCONSISTENT FREEDOM TO MARRY LAWS

EMPLOYER SIZE	BENEFITS OFFERING	LOCATION ¹	ONE-TIME COSTS, US\$	ONGOING ANNUAL COSTS, US\$
Small (15-499 employees)	No DPB ²	Single state	0 ³	0
	DPB only	Single state	9,500	1,700
	DPB + tax equalization	Single state	10,500	1,900
Mid-sized (500-4,999 employees)	No DPB	Single state	0 ³	0
	No DPB	Multiple states	0 ³	2,400 ⁴
	DPB only	Multiple states	60,500	7,500
	DPB + tax equalization	Multiple states	64,500	8,500
Large (5,000+ employees)	No DPB	Multiple states	0 ³	2,500 ⁴
	DPB only	Multiple states	126,000	10,000
	DPB + tax equalization	Multiple states	129,500	11,000

1. We assume small employers operate in a single state, half of mid-sized employers operate in multiple states, and all large employers operate in multiple states.

2. DPB: Domestic partner benefits for same-sex partners.

3. Employers that do not offer domestic partner benefits do not incur policy implementation costs.

4. Employers that operate in multiple states that do not offer domestic partner benefits to same-sex couples still incur the costs associated with managing benefits systems across regulatory jurisdictions where different freedom to marry laws require different taxation of benefits for same-sex married partners.

CALCULATING ADMINISTRATIVE COSTS AT THE NATIONAL LEVEL

To determine annual costs at the national level, our analysis calculated the one-time set-up costs and ongoing maintenance and compliance costs borne in each year across all employer segments.

1. Because one-time set-up costs are only incurred the first year an employer offers domestic partner benefits, the analysis calculated the number of employers offering domestic partner benefits for the first time in each year between 2008 and 2018.
 - A. These numbers were derived using historic and projected growth rates of companies offering equal benefits to same-sex couples, applying different rates to small, mid-sized, and large employers.
 - B. These numbers were then multiplied by one-time set-up costs for each segment.
2. The report multiplies ongoing annual costs for each employer segment by the total number of employers in that segment.

CALCULATING ONE-TIME ADJUSTMENT COSTS AFTER SECTION 3 OF DOMA WAS OVERTURNED

The report follows the same method to calculate the cost of managing changes to policies following the *Windsor* ruling, which overturned Section 3 of DOMA.

1. Costs for this one-time adjustment were estimated for each employer segment. Cost activities included reviewing and interpreting state and federal regulations regarding the benefits and tax status of same-sex couples, updating benefits policies, and making changes to HR and payroll systems to be compliant with federal regulations.
2. Because employers that previously offered benefits to same-sex couples already had systems and policies in place to manage these benefits, they generally faced lower costs in adjusting policies after the *Windsor* ruling than employers that had not previously offered benefits to same-sex couples.

Exhibit A.3 details employer costs of managing changes related to the *Windsor* ruling.

CALCULATING TAX COSTS

The tax burden includes state and federal income taxes paid by employees and payroll taxes paid by employers and employees on the imputed income reflecting the value of benefits extended to same-sex couples.

1. This tax burden applied to same-sex couples in all states prior to the *Windsor* ruling, and afterwards, to those living in non-freedom to marry states.
2. Taxes are only incurred when an employee opts into receiving benefits for his or her same-sex partner and/or partner's dependents.
3. All taxes are calculated on a per employee basis, multiplying the imputed income by the appropriate marginal tax rate(s).
 - A. Imputed income differs by state of residence and by marital status and dependents. The report uses 2012 Kaiser Family Foundation State Health Facts data to identify the value of imputed income paid in each state by employees depending on their marital and parental status.
 - B. Tax rates differ by state of residence and income level and were sourced from the Tax Foundation using 2014 tax rates.
 - C. 2011 American Community Survey data from the US Census were used to determine the number of employees at different tax rates in each state.
4. To calculate the state and national tax burden, the analysis multiplies taxes owed in each employee segment by the number of employees in each segment in each state. The report follows the same process to calculate payroll tax paid by employers and by employees, with the simplification that payroll tax is consistent across states and income levels.
5. To calculate historic and projected tax costs, the report uses the growth rate of employers offering same-sex couple benefits to scale the number of employees receiving these benefits in each year from 2008 to 2018. The report assumes no change in tax rates or in the value of imputed income for each employee segment, which may distort the early and late-year tax burden slightly.

EXHIBIT A.3: COSTS ASSOCIATED WITH MANAGING CHANGES RELATED TO THE WINDSOR RULING

Employer cost estimates, by employer size, benefits offering, and geographic location

EMPLOYER SIZE	BENEFITS OFFERING	LOCATION ¹	ONE-TIME COSTS, US\$
Small (15-499 employees)	No DPB ²	Single state	500
	DPB only	Single state	2,000
	DPB + tax equalization	Single state	2,000
Mid-sized (500-4,999 employees)	No DPB	Single state	2,500
	No DPB	Multiple states	16,000
	DPB only	Multiple states	11,500
	DPB + tax equalization	Multiple states	10,500
Large (5,000+ employees)	No DPB	Multiple states	30,500
	DPB only	Multiple states	22,000
	DPB + tax equalization	Multiple states	20,000

1. We assume small employers operate in a single state, half of medium employers operate in multiple states, and all large employers operate in multiple states.

2. Domestic partner benefits for same-sex partners.

EXHIBIT A.4: SUMMARY OF THE ECONOMIC BURDEN BY STATE, 2014 AND 2014-2018, US\$

Employer cost estimates by employer size, benefits offering, and geographic location

STATE	2014			2014-2018		
	ADMIN COST	TAX COST	TOTAL COST	ADMIN COST	TAX COST	TOTAL COST
Alabama	17,912,781	349,993	18,262,774	99,267,071	1,941,572	101,208,643
Alaska	4,682,684	105,796	4,788,480	25,517,284	587,777	26,105,061
Arizona	41,131,988	2,001,806	43,133,794	231,388,581	11,047,170	242,435,750
Arkansas	13,017,456	257,107	13,274,563	71,705,776	1,425,899	73,131,676
California	69,877,359	0	69,877,359	396,547,033	0	396,547,033
Colorado	45,362,997	2,598,819	47,961,816	172,869,089	2,598,819	175,467,907
Connecticut	21,775,948	0	21,775,948	120,411,964	0	120,411,964
Delaware	12,967,569	0	12,967,569	70,835,687	0	70,835,687
District of Columbia	13,072,982	0	13,072,982	71,652,834	0	71,652,834
Florida	59,952,174	2,866,794	62,818,969	342,075,975	15,822,817	357,898,792
Georgia	44,758,983	2,140,318	46,899,302	252,416,754	11,814,581	264,231,335
Hawaii	10,247,321	0	10,247,321	56,141,884	0	56,141,884
Idaho	9,156,173	86,664	9,242,837	40,910,458	86,664	40,997,123
Illinois	46,299,345	0	46,299,345	259,774,583	0	259,774,583
Indiana	26,071,893	1,022,940	27,094,834	104,285,222	1,022,940	105,308,162
Iowa	18,979,487	0	18,979,487	104,603,693	0	104,603,693
Kansas	17,342,074	283,757	17,625,831	71,438,294	283,757	71,722,050
Kentucky	18,093,940	602,467	18,696,406	100,154,007	3,333,082	103,487,089
Louisiana	16,842,562	354,397	17,196,959	93,414,030	1,969,570	95,383,600
Maine	10,818,296	0	10,818,296	59,159,498	0	59,159,498
Maryland	28,440,807	0	28,440,807	158,153,406	0	158,153,406
Massachusetts	32,667,646	0	32,667,646	182,517,991	0	182,517,991
Michigan	27,421,500	1,170,943	28,592,443	153,909,827	6,491,455	160,401,282
Minnesota	26,450,553	0	26,450,553	146,913,354	0	146,913,354
Mississippi	12,023,487	147,945	12,171,432	65,998,103	820,196	66,818,299
Missouri	26,598,367	1,086,511	27,684,878	148,965,567	6,031,381	154,996,949
Montana	6,672,524	96,232	6,768,756	36,548,949	539,565	37,088,514
Nebraska	10,985,541	234,202	11,219,743	60,312,052	1,288,769	61,600,821
Nevada	27,290,341	606,255	27,896,596	112,012,397	606,255	112,618,652
New Hampshire	12,444,287	0	12,444,287	68,165,409	0	68,165,409
New Jersey	35,018,125	0	35,018,125	195,841,615	0	195,841,615
New Mexico	14,752,230	0	14,752,230	80,600,320	0	80,600,320
New York	52,824,640	0	52,824,640	298,737,519	0	298,737,519
North Carolina	25,170,684	1,255,538	26,426,222	99,846,414	1,255,538	101,101,952
North Dakota	6,244,296	47,895	6,292,192	34,233,407	268,971	34,502,378
Ohio	41,127,154	2,060,343	43,187,497	232,107,461	11,400,295	243,507,756
Oklahoma	16,492,621	413,176	16,905,797	68,973,489	413,176	69,386,665
Oregon	21,911,598	0	21,911,598	121,305,513	0	121,305,513
Pennsylvania	43,770,054	0	43,770,054	245,693,712	0	245,693,712
Rhode Island	10,913,536	0	10,913,536	59,602,004	0	59,602,004
South Carolina	17,396,008	400,924	17,796,932	71,056,165	400,924	71,457,089
South Dakota	6,412,367	39,394	6,451,761	35,110,140	219,564	35,329,704
Tennessee	22,188,358	528,506	22,716,864	123,124,606	2,907,663	126,032,268
Texas	62,800,701	3,511,403	66,312,104	357,882,386	19,476,574	377,358,960
Utah	14,344,542	386,706	14,731,248	62,276,843	386,706	62,663,549
Vermont	7,560,017	0	7,560,017	41,130,153	0	41,130,153
Virginia	40,300,319	1,720,518	42,020,837	151,819,080	1,720,518	153,539,598
Washington	29,245,013	0	29,245,013	162,836,526	0	162,836,526
West Virginia	8,680,401	145,318	8,825,719	37,722,508	145,318	37,867,826
Wisconsin	25,142,792	1,009,992	26,152,784	95,765,441	1,009,992	96,775,433
Wyoming	5,236,639	8,989	5,245,628	23,499,017	8,989	23,508,006

EXHIBIT A.5: SUMMARY OF THE ECONOMIC BURDEN BY EMPLOYER SEGMENT, 2014 AND 2014-2018, US\$

COMPANY SIZE	BENEFITS OFFERING	2014			2014-2018		
		ADMIN COST	TAX COST	TOTAL COST	ADMIN COST	TAX COST	TOTAL COST
Small	No DPB	0	0	0	0	0	0
	DPB	386,804,697	6,634,260	393,438,957	1,966,208,631	26,073,474	1,992,282,105
	+ tax equalization	13,447,818	316,816	13,764,634	62,307,441	1,004,081	63,311,521
Mid-sized	No DPB	44,804,242	0	44,804,242	184,133,104	0	184,133,104
	DPB	356,036,631	10,644,888	366,681,519	1,977,943,160	42,574,253	2,020,517,413
	+ tax equalization	25,583,691	536,598	26,120,290	141,407,153	1,959,885	143,367,037
Large	No DPB	31,010,090	0	31,010,090	133,729,515	0	133,729,515
	DPB	358,898,598	9,054,106	367,952,704	1,903,697,992	33,917,134	1,937,615,126
	+ tax equalization	20,305,394	354,982	20,660,376	107,804,096	1,797,672	109,601,768

EXHIBIT A.6: EMPLOYERS BY SEGMENT BY SIZE AND BY STATE, 2014

STATE	SMALL			MID-SIZE			LARGE		
	NO DPB	DPB	DPB + TAX	NO DPB	DPB	DPB + TAX	NO DPB	DPB	DPB + TAX
Alabama	7,362	2,412	115	1,105	323	0	434	404	0
Alaska	1,286	298	37	172	82	7	152	161	0
Arizona	4,192	4,969	552	653	1,260	0	102	847	0
Arkansas	4,750	1,556	74	742	217	0	367	342	0
California	24,134	40,863	1,090	1,273	2,726	192	154	936	95
Colorado	5,499	6,518	724	640	1,234	0	105	874	0
Connecticut	3,591	6,079	162	377	809	57	103	626	63
Delaware	984	1,667	44	226	483	34	76	462	47
District of Columbia	1,275	2,159	58	230	494	35	72	440	45
Florida	22,452	11,175	0	1,284	1,529	241	483	645	0
Georgia	11,340	7,333	0	1,564	945	167	300	766	33
Hawaii	1,404	2,377	63	144	309	22	59	360	36
Idaho	2,463	571	71	395	187	17	273	290	0
Illinois	10,761	18,220	486	954	2,044	144	146	888	90
Indiana	9,423	3,538	0	1,258	572	82	459	510	0
Iowa	2,796	4,735	126	319	683	48	96	585	59
Kansas	5,735	2,153	0	722	328	47	382	423	0
Kentucky	7,093	2,323	111	1,157	338	0	445	414	0
Louisiana	7,144	2,340	111	1,015	296	0	404	376	0
Maine	1,286	2,178	58	156	335	24	64	390	39
Maryland	5,493	9,301	248	523	1,121	79	117	715	72
Massachusetts	7,060	11,953	319	633	1,356	96	118	721	73
Michigan	15,321	5,019	239	1,547	452	0	489	456	0
Minnesota	5,079	8,600	229	470	1,007	71	113	689	70
Mississippi	3,913	1,282	61	700	204	0	360	336	0
Missouri	10,598	3,979	0	1,208	550	79	450	499	0
Montana	2,121	492	61	266	126	11	196	209	0
Nebraska	3,502	812	101	479	227	21	305	324	0
Nevada	2,361	2,798	311	403	777	0	86	711	0
New Hampshire	1,527	2,586	69	189	404	28	71	434	44
New Jersey	8,079	13,678	365	657	1,407	99	125	761	77
New Mexico	1,418	2,401	64	234	500	35	88	533	54
New York	16,995	28,774	767	953	2,041	144	134	818	83
North Carolina	10,899	3,570	170	1,708	499	0	532	496	0
North Dakota	2,082	482	60	246	117	11	182	193	0
Ohio	19,351	7,157	0	1,501	982	0	366	651	36
Oklahoma	6,735	1,561	195	815	386	35	361	383	0
Oregon	3,584	6,069	162	398	853	60	100	608	62
Pennsylvania	11,441	19,371	517	808	1,731	122	141	861	87
Rhode Island	1,178	1,995	53	159	341	24	66	401	41
South Carolina	6,823	2,235	106	1,066	311	0	442	411	0
South Dakota	2,065	479	60	248	118	11	191	203	0
Tennessee	8,993	2,946	140	1,503	439	0	503	469	0
Texas	32,403	12,370	0	1,994	1,692	0	517	626	37
Utah	4,695	1,088	136	672	319	29	373	396	0
Vermont	783	1,325	35	96	205	14	49	300	30
Virginia	11,008	7,119	0	1,262	762	134	276	704	31
Washington	5,866	9,931	265	543	1,164	82	117	711	72
West Virginia	2,572	842	40	437	128	0	295	275	0
Wisconsin	11,497	4,316	0	1,013	461	66	405	449	0
Wyoming	1,366	317	40	222	105	10	160	169	0

EXHIBIT A.7: ADMINISTRATIVE AND COMPLIANCE COSTS BY EMPLOYER SEGMENT (SIZE, LEVEL OF BENEFITS), US\$

COMPANY SIZE	BENEFITS OFFERING	LOCATION STATUS	ONE-TIME SET-UP COSTS		ONGOING COSTS		COSTS OF MANAGING THE POST-WINDSOR TRANSITION
			CREATE CORPORATE APPROACH	IMPLEMENT POLICY	EMPLOYEE RELATIONS	TRACK POLICY AND MAINTAIN SYSTEMS	
Small	No DPB	Single state		-	-	-	500
	DPB	Single state	3,500	6,000	100	1,600	2,000
	+ tax equalization	Single state	4,500	6,000	200	1,700	2,000
Mid-sized	No DPB	Single state	-	-	-	-	2,500
	No DPB	Multi-state	-	-	2,400		16,000
	DPB	Single or multi-state	28,500	32,000	2,600	4,900	11,500
	+ tax equalization	Single or multi-state	32,500	32,000	3,600	4,900	10,50
Large	No DPB	Multiple states	-	-	2,500		30,500
	DPB	Multiple states	44,000	82,000	5,000	5,000	22,000
	+ tax equalization	Multiple states	47,500	82,000	6,000	5,000	20,000

ABOUT

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