



DOMESTIC PARTNER BENEFITS

DOMESTIC PARTNER ELIGIBILITY

If you participate in Michaels Stores benefit plans, your same or opposite sex domestic partner may be eligible to participate in the medical, dental, vision and life insurance plans.

To be eligible, you and your domestic partner must:

- be at least 18 years old;
- share a close personal relationship and be responsible for each other's welfare;
- have shared the same legal residence in an exclusive relationship for at least 12 months;
- not be related by blood or affinity in a way that would disqualify you from marriage under State law if you and your partner were opposite sexes;
- not be married to, or in a domestic partnership with, any other person;
- be legally competent to contract;
- share sufficient financial and legal obligations (described below in the section on *(Documentation Required)*)

If you enroll your domestic partner, you may also cover his or her dependent, natural or legally adopted children under age 26 for health insurance. (or under age 19, for life insurance and AD&D plans if dependent is unmarried and a full-time student primarily dependent on you for support and maintenance).

BENEFITS AVAILABLE TO DOMESTIC PARTNERS

Benefits available to domestic partners include:

- Medical
- Dental
- Vision
- Basic Dependent Life
- Supplemental Life and AD&D

DOCUMENTATION REQUIRED FOR DOMESTIC PARTNERSHIP

To qualify for coverage, you must provide an Affidavit of Domestic Partnership signed in the presence of a notary public by both you and your partner declaring that you satisfy the eligibility requirements described above, as well as proof of at least two of the following:

- A joint housing lease, mortgage, or deed;
- Joint ownership of a motor vehicle;
- A joint checking or savings account;
- Designation of your partner as a primary beneficiary of your life insurance, retirement benefits, or residual estate under a will;
- Designation of your partner as holding a durable power of attorney for your health care decisions.



SPECIAL TAX RULES FOR DOMESTIC PARTNERS

Unless your domestic partner qualifies as your dependent for tax purposes, Internal Revenue Service (IRS) rules do not allow you to pay the cost of your domestic partner's benefits on a before-tax basis. In addition, under IRS rules:

- You cannot pay health or dependent day care expenses for a domestic partner or his/her children with funds from a Flexible Spending Account.
- The fair market value (as defined by the IRS) of your domestic partner's benefit coverage is taxable to you as "imputed income" and is subject to ordinary federal, Social Security, state, local and any other applicable payroll taxes.

Michaels will assume that your domestic partner and his/her children do not qualify as your tax dependents unless you provide proof to the contrary at the time of enrollment.

Payroll Deductions

The cost of domestic partner coverage is the same as a spouse (or family, if you enroll both your domestic partner and his/her children). However, because IRS rules do not allow you to reduce your taxable pay for the cost of domestic partner coverage, a portion of your pre-tax payroll deduction will be added back to your taxable pay each pay period.

"Imputed Income"

Under current IRS rules, the value of employer-provided health benefits for employees and their dependents is generally not taxable. However, since domestic partners are not recognized as dependents for federal tax purposes, the IRS requires that the "fair market value" of employer-provided domestic partner benefits is taxed. The fair market value is what you would have to pay for this coverage if you were no longer eligible for benefits as a full-time plus your pre-tax contribution for domestic partner coverage. The amount of taxable "imputed income" will be added to the earnings section of your paycheck as non-cash compensation each pay period.

MAKING CHANGES DURING THE YEAR

The benefit choices you make at enrollment will remain in effect for the entire plan year, unless you experience certain "qualifying events" that allow you to add or drop coverage. Events that may qualify you to change your benefit elections during the year include:

- Birth or adoption of a child (yours or your domestic partner's);
- Covered child's loss of dependent status;
- You or your domestic partner gain or lose eligibility for health care coverage;
- Federally recognized legal marriage;
- Your domestic partner dies; or
- Your domestic partnership ends.

Revoking Your Domestic Partnership

If you no longer meet the requirements for domestic partner coverage (for example, you no longer live together, or one of you marries), you must submit a Declaration of Termination of Domestic Partnership form to the Benefits Team within 31 days. IRS rules state that if you wait longer than 31 days, you cannot change or drop any coverage until the next annual enrollment.



Note: To add the same or another domestic partner in the future, you must again meet all the requirements for at least 12 consecutive months.

CONTINUATION OF COVERAGE

A domestic partner and a domestic partner's children are not eligible for continuation coverage under federal law, and therefore do not have an independent right to elect COBRA. However, an associate who elects COBRA continuation coverage may also elect to continue coverage for a domestic partner and/or a domestic partner's children who were covered under the plan on the day before a qualifying event.

OTHER IMPORTANT CONSIDERATIONS

- Some courts may interpret the Domestic Partnership as creating legally enforceable rights and obligations between the two parties, either during or after a domestic partnership ends. These may include, for example, community property rights and/or obligations to make support payments. You may wish to consult an attorney for more information.
- Enrollment of a domestic partner as a beneficiary under your benefit plan, and payment of benefits by the plan to the beneficiary, may create tax liabilities. It may also result in increased tax withholding or income reporting by Michaels.
- Michaels Stores Inc. and its authorized agents and insurance carriers may rely on the signed Affidavit of Domestic Partnership to determine eligibility for plan coverage and whether or not to pay/provide benefits. If the plan's criteria for an eligible domestic partner are no longer met, domestic partner coverage under Michaels benefit plans will end as specified in the applicable provisions of the plan and any benefit payments made as a result of ineligible coverage must be repaid to the plan. It is the associate's responsibility to notify Michaels if a domestic partner is no longer eligible for coverage.

For questions, please contact the HR Team at 855-432-MIKE (6453).

Please Note: The information presented in this material has been prepared to assist you in understanding the provisions of domestic partner benefits. While this material attempts to summarize the provisions of domestic partner benefits and answer questions you may have, it is by no means exhaustive or exclusive. NO GUARANTEE OR CONTRACT IS CREATED BY THIS MATERIAL. In the event this material conflicts with federal law, the language of the federal law will be the final authority.