Group Term Life Insurance over $50,000
Pay Statement Descriptor: Imputed Income

Total Amount of Coverage
Federal regulations, IRC section 79, states that the imputed value of Life Insurance coverage in excess of $50,000 must be included in an employee's income, using the IRS Premium Table, and are subject to Social Security, Medicare, Federal and Maryland income tax. The IRS defines imputed income as "the value of any benefits or services provided to an employee." Typically, imputed income is referred to as a taxable fringe benefit as it is generally a non-cash compensation taken into consideration to accurately reflect in an employee's taxable income.

Tax Treatment
The County offers two life insurance policies to Full-time regular employees—Basic coverage (1x the employee's base salary) which is paid by the County and optional which the employee elects for additional coverage. If one policy alone or the combination of the two policies exceeds $50,000, the excess coverage is considered as a taxable fringe benefit. As such, Payroll will record the "value" of excess coverage biweekly by inflating the employee's taxable wages. The amount will appear on the employee's earnings statement as "Imputed Income."

Biweekly Calculation Example

Assume a 56-year-old, Full-time Regular employee is covered by $105,000 combined (Basic & Optional) life insurance. Using the IRS Premium Table, the cost of $1,000 of insurance for one month for this employee is .43 cents. Determination of the bi-weekly taxable fringe benefit is as follows:

1. Taxable coverage ($105,000 - $50,000)	$55,000.00
2. Monthly value per $1,000 (55 x .43)	$ 23.65
3. Biweekly value (Monthly Value x 12 / 26)	$ **10.92 ***

* This number is the additional amount which is included in the employee's taxable income.

Please note that there may be a variation to the "Imputed Income," amount due to changes in the employee's coverage amount throughout the year.

IRS Premium Table	
Age	**Cost**
Under 25	.05
25 through 29	.06
30 through 34	.08
35 through 39	.09
40 through 44	.10
45 through 49	.15
50 through 54	.23
55 through 59	.43
60 through 64	.66
65 through 69	1.27
70 and above	2.06

Question and Answer

Question: Why is this affecting my paycheck?
Answer: Federal regulations require that the value of group-term life insurance coverage in excess of $50000, whether provided directly or indirectly by an employer, must be includable in an employee's taxable wages.

Question: What is imputed income?
Answer: The IRS defines imputed income as "the value of any benefits or services provided to an employee." Typically, imputed income is referred to as a taxable fringe benefit as it is generally a non-cash compensation taken into consideration to accurately reflect in an employee's taxable income.

Question: How is it calculated?
Answer: First, you must determine the taxable life insurance coverage in excess of $50,000 that is provided to you through Basic and/or Optional coverage. Then you determine the monthly cost using the IRS Premium Table relating to the cost for your **age bracket**. To determine the bi-weekly amount, multiply the monthly amount by 12 and divide by 26 pay periods. **Per federal regulations, age is determined on the last day of the calendar year (I.e., 12/31/xx).**

Question: Who does this affect?
Answer: All Full-time and Part-time eligible employees who are eligible for Basic and/or Optional group-term life insurance through the County.

Question: What is the effect on my net pay?
Answer: The bi-weekly imputed value of life insurance over $50,000 reduces an employee's net pay by inflating an employee's taxable gross wages. The taxes calculated from adding to an employee's gross taxable income are based on the employee's filing status, number of exemptions, and the employee's tax bracket.

Reference: IRS Publication 15-B, Group-Term Life Insurance Coverage https://www.irs.gov/pub/irs-pdf/p15b.pdf

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