Imputed Income for Term Life Insurance in Excess of $50,000:

Section 79 of the Internal Revenue Code (IRC) requires that employers calculate imputed taxable income for employees that receive group life insurance coverage in excess of $50,000. The amount of imputed taxable income must be reported on the employee's Form W-2. The IRC Section 79 allows employees to exclude up to $50,000 from taxable income.

Before we start, let’s review a key concept. The premise behind this calculation is that the US Tax Code wants employees to pay taxes on what they consider the value of group life insurance in excess of $50,000. For example, if you have $85,000 of group life insurance coverage paid for by the employer, the employer would have to calculate the value of this benefit to the employee. In this case, the excess coverage would be $35,000 (85,000 - 50,000). This does not mean that an employee will pay taxes on an additional $35,000 of taxable income. It means the employee will pay taxes on the value of the $35,000 group life benefit.

In order to calculate the imputed taxable income for an employee, the employer must use the following table as prescribed by the Internal Revenue Service. When using this table and calculating the imputed taxable income, it is important to note that you must use the age of the employee as of the last day of the calendar year.

Age of Employee	Monthly cost per $1,000 of Excess Coverage
Under 25	$.05
25 to 29	.06
30 to 34	.08
35 to 39	.09
40 to 44	.10
45 to 49	.15
50 to 54	.23
55 to 59	.43
60 to 64	.66
65 to 69	1.27
70 and over	2.06
Age of Employee	**Monthly cost per $1,000 of Excess Coverage**

Calculation Example for an Employee Age 43 with Supplemental Coverage

1. Calculate total insurance coverage over $50,000:

$85,000 (Basic Life Ins) + $75,000 (Supplemental Life Ins) - $50,000 = $110,000 (Excess Ins)

2. Determine imputed taxable income on total insurance coverage over $50,000:

110 x .10 (Rate per $1,000 from Table at age 43) = $11.00

3. Determine employee contributions:

Employee pays $8.40 per month for supplemental life coverage

4. Calculated imputed taxable income

$11.00 - $8.40 = ***$2.60 (Imputed Taxable Income)***

****If the result is negative or zero, then the employee is not subject to imputed taxable income****

Any amount of Imputed Taxable Income will appear on the check stub under the *Earnings* column as "*Group Life Taxable*" and will be reported on Form W-2 in Box 12 Code C.

For additional information, please visit http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Group-Term-Life-Insurance