

# BenAlert

**BENEFIT TRENDS AND LEGISLATIVE UPDATES**

NOVEMBER 2010



**HOWITT**  
Benefit Services

Howitt Benefit Services is pleased to provide you with periodic updates on benefit trends and legislative updates. As part of our valuable services, we want to ensure that you are in compliance and well-informed of the ongoing changes in our industry.

## **In this BenAlert:**

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### **Group-Term Life Table 1**

There were no changes to the rate table from last year. 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.

For example, if you have \$85,000 of group life insurance coverage paid for by the employer. An 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. The amount paid would depend on the employee's age.

In order to calculate the imputed taxable income for an employee, the employer must use the table below 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.

**TABLE I****Uniform Premiums for \$1,000 of Group-Term Life Insurance Protection 26 CFR 1.79-3(d)(2)**

<b>5 Year Age Bracket (Based on attained age at the end of the taxable year)</b>	<b>Cost per \$1,000 of Protection for One Month</b>
Under 25	\$0.05
25 to 29	\$0.06
30 to 34	\$0.08
35 to 39	\$0.09
40 to 44	\$0.10
45 to 49	\$0.15
50 to 54	\$0.23
55 to 59	\$0.43
60 to 64	\$0.66
65 to 69	\$1.27
70 and above	\$2.06

**Special rule for groups with fewer than 10 full-time employees.**

The definition of group term life insurance also requires at least 10 full-time employees are provided with the benefit. However, there are exceptions to the 10 full-time employee rule, including when all full-time employees of the employer are provided the insurance or, if evidence of insurability is required, all full-time employees providing such evidence. See IRS Publication 15-B and 26 CFR 1.79-1(c) for more information on these requirements and the exceptions.

**Simple Steps To Follow:**

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

$$\text{Basic Life Insurance} + \text{Supplementary Insurance} - \$50,000 = E$$
2. Determine imputed taxable income on total insurance coverage over \$50,000  

$$E * \text{Rate per } \$1,000 * \text{Months Covered} * \text{Monthly Age Rate} = T$$
3. Determine employee contributions (if any) = C
4. Calculated imputed taxable income  

$$T - C = \text{Imputed Taxable Income}$$
5. If the result is negative or zero, then the employee is not subject to imputed taxable income.

For additional details and information, please refer to the IRS link:

<http://www.irs.gov/govt/fslg/article/0,,id=110345,00.html>

If you have any questions, please consult with your tax counsel.

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