

IMPUTED INCOME FACT SHEET

WHAT IS IT?

Under federal tax laws, you are taxed on the value of employer-provided life insurance over \$50,000. Because supplemental life insurance is purchased with pre-tax dollars, it is considered employer-provided by the Internal Revenue Service (IRS). If your basic (includes supplemental basic if applicable) plus supplemental life insurance gives you coverage above \$50,000, imputed income is going to be reported **and** taxed every paycheck beginning with the January 3, 2007 paycheck.

HOW WAS IMPUTED INCOME HANDLED PRIOR TO THE CHANGE IN PAYROLL PROCESS?

As stated in the December 20, 2006 memorandum from the Office of the Controller, in prior years, imputed income was reported annually in Box 1 of Form W-2 and shown separately in Box 12 with code "C". For an explanation of that box, refer to the printed instructions on the back of Form W-2. The tax impact of the imputed income was experienced upon filing taxes for the year in question.

HOW IS IMPUTED INCOME TAXED?

It is taxed at your normal pay tax rate.

HOW WILL THIS CHANGE IMPACT YOUR TAKE HOME PAY?

If you have additional questions after calculating the amount of your imputed income for 2007, utilizing the formula provided, contact your tax advisor for an explanation of its impact upon your tax bracket, net pay, etc.

REMEMBER...

The only change is how the taxation is being performed – throughout the calendar year versus at the time of filing a tax return.