## About Life Insurance and Imputed Income

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 IRS. If your basic life insurance plus your supplemental life insurance gives you coverage above $50,000, imputed income will be determined and added to your W-2 form based on the IRS table shown below.

Here's an example to give you an idea of how much imputed income could be. This example assumes the employee works full-time, has basic life insurance of $10,000 and chooses supplemental life insurance of three times annual pay.

| *An example for an employee age 30 with annual pay of $45,000* | |
|---|---|
| Supplemental life insurance ($45,000 x 3) | $135,000 |
| *Plus* | |
| Core life insurance | + $10,000 |
| Total life insurance | $145,000 |
| *Minus* | |
| Amount that's not taxed | –$ 50,000 |
| Taxed amount above $50,000 | $ 95,000 |
| *Divided by* | |
| 1,000 | 1,000 |
| Units of coverage | 95 |
| *Times* | |
| Imputed income from IRS Table for age 30 | x .08 |
| *Equals* | |
| Actual imputed income Shown on W-2 | $7.60 a month …or $91.20 a year |

**IRS table for calculating imputed income**

| *Age* | *Amount of monthly imputed income for each $1,000 in coverage* |
|---|---|
| Under 25 | $0.05 |
| 25 – 29 | 0.06 |
| 30 – 34 | 0.08 |
| 35 – 39 | 0.09 |
| 40 – 44 | 0.10 |
| 45 – 49 | 0.15 |
| 50 – 54 | 0.23 |
| 55 – 59 | 0.43 |
| 60 – 64 | 0.66 |
| 65 – 69 | 1.27 |
| 70 and over | 2.06 |