MEMORANDUM

TO: Employers Participating in the Wisconsin Public Employers Group Life Insurance Program

FROM: Christopher J. Schmelzer, FLMI
Manager, Madison Branch Office
Minnesota Life, A Securian Company

DATE: October 2013

SUBJECT: IMPUTED INCOME

Please note that the **Table I rates** as provided in the IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits (For Use in 2013),* **have not changed.**

Each year we receive several calls from employers regarding the cost of group term life insurance that must be included in an employee's income. This is also known as "imputed income." Typical questions include:

- Have the IRS Table I rates changed?
- How is the cost calculated?
- How is the cost reported?
- How should this be communicated to employees?
- Should the cost be calculated monthly or annually?
- Is there withholding for FICA?
- Who is responsible for reporting imputed income?
- Is employee-paid coverage subject to this regulation?

As the provider for your group term life insurance, we want to give you the best service possible. However, we are not tax experts and cannot provide legal advice regarding compliance with the IRS requirements. Therefore, should you need advice regarding imputed income, we urge you to seek assistance from a qualified tax professional.

Information is available online from the IRS. IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits,* can be found on the following web site:

http://www.irs.gov/pub/irs-pdf/p15b.pdf

HOW IS IMPUTED INCOME CALCULATED?

Example:

- Employee's age on December 31, 2013 is 37.
- Employee has Basic Term Life Insurance equal to $55,000 paid for by the employer.
- Employee pays for Supplemental Term Life Insurance equal to $55,000.
- Employee pays for three units of Additional Term Insurance equal to $165,000.

(Please note that not all local government employers provide all five levels of coverage. For illustrative purposes, this example assumes the employee has all five levels of coverage.)

Step 1. Subtract $50,000 from amount of employee's insurance coverage.

Total Amount of Life Insurance:	$275,000
Less IRS Exclusion:	- 50,000
Excess Insurance:	$225,000

Step 2. Determine the IRS cost of excess insurance.

IRS Monthly Rate (see IRS table included):	$ .09
Excess Insurance in Thousands (from Step 1):	x 225
IRS Cost of Excess Insurance for 1 Month:	$20.25

Step 3. Multiply the cost of excess insurance for 1 month times the number of coverage months.

IRS Cost of Excess Insurance for 1 Month (from Step 2):	$ 20.25
Times Number of Months of Coverage:	x 12
Total Cost for Coverage Months:	$243.00

Step 4. Subtract the amount the employee paid for insurance.

Annual Cost of Excess Insurance (from Step 3):	$243.00
Cost of Insurance Paid by Employee for the Calendar Year:	-184.80*
Annual Reportable Imputed Income:	$ 58.20**

*This number is arrived at by adding up the total payroll deductions for the year for Supplemental and Additional insurance. Local government premium rates were used in this example. Not all employees elect Supplemental and Additional insurance.

**This amount is reported on your W-2 statement as "other" income. The tax you pay on "other" income will depend on your tax bracket.

IRS Table I Rates

Uniform Premiums for $1,000 of Group Life Insurance
Effective July 1, 1999 to the Present

Age*	Cost per $1,000 of Life Insurance for 1-Month Period
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

*Employee's attained age on the last day of the calendar year for which imputed income is being calculated.