# GROUP LIFE INSURANCE – IMPUTED INCOME CALCULATION

Employers can generally exclude the cost of up to $50,000 of group-term life insurance from the wages of an insured employee.

The IRS requires that the “value” of employer provided group term life insurance in excess of $50,000 be reported as taxable income to covered employees. The “value” is referred to as imputed income. You can determine the “value“ by multiplying the number of $1,000 units of insurance coverage over $50,000 (rounded to the nearest $100) by the cost shown in the following table. Use your age as of the last day of the tax year. You determine the total cost to be included as taxable wages by multiplying the monthly cost by the number of full months' coverage at that cost.

**Monthly Cost Per $1,000 of Coverage**

| 5-Year Age Bracket | Cost |
|---|---:|
| Under 25 | $ .05 |
| 25 through 29 | .06 |
| 30 through 34 | .08 |
| 35 through 39 | .09 |
| 40 through 44 | .10 |
| 45 through 49 | .15 |
| 50 through 54 | .23 |
| 55 through 59 | .43 |
| 60 through 64 | .66 |
| 65 through 69 | 1.27 |
| 70 and older | 2.06 |

**Example:** SMU’s Basic Group Life Insurance Plan provides Tom, who is 45 years old, with group-term life insurance coverage of $200,000. For purposes of this calculation, the $200,000 of coverage is reduced by $50,000. The total cost of $150,000 of coverage is $270 ($.15 x 150 units of $1,000 x 12). SMU must add $270 in imputed income to Tom’s taxable wages.