

## **IMPUTED INCOME**

The Internal Revenue Service (IRS) requires that the Company report to you the value of any Company-paid basic life insurance coverage over \$50,000 on your W-2. This value is called "imputed income." Imputed income is subject to tax withholding.

### ***When Imputed Income Applies***

Imputed income only applies when your Company-paid basic life insurance coverage is over \$50,000. There is no imputed income on supplementary life, basic **AD&D**, supplementary **AD&D**, dependent life or dependent **AD&D** insurance.

### ***Taxes and Imputed Income***

You may pay federal income tax on the value of a *portion* of your basic life insurance coverage over \$50,000.

You are not taxed on the actual amount of your basic life insurance coverage over \$50,000. Instead, the Company reports as income an amount the IRS considers an appropriate premium for the portion of your Company-paid basic life insurance coverage over \$50,000. The IRS publishes these rates in tables based on your age.

### ***An Example: How Imputed Income Is Taxed***

Suppose you are age 35 and your **total annual pay** is \$55,000. You will pay federal income taxes on the imputed income on \$5,000 (the amount of coverage over \$50,000). Assume the current IRS premium rate for someone age 35 is \$0.09 per month for each \$1,000 of coverage. The imputed income for \$5,000 of coverage would be \$0.45 per month (5 x \$0.09).