

## **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 insurance.

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

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

You are not taxed on the actual amount of your **Company-paid 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 65 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 65 is \$1.27 per month for each \$1,000 of coverage. The imputed income for \$5,000 of coverage would be \$6.35 per month (5 x \$1.27).