

## Basic Life Insurance Imputed Income Calculation Worksheet

The IRS says that employer paid life insurance amounts in excess of \$50,000 is considered taxable income to you. Marvell Basic Life Insurance plan pays 2.5 times your salary. You are taxed based on the value of the benefit (not the benefit itself). The value is determined by an IRS table. This imputed income is then included as income on your paycheck and W-2 so that taxes can be withheld.

SAMPLE:

Your Base Salary = \$100,000 per year

Value of Life insurance is \$250,000 (\$100,000 x 2.5 = \$250,000)

Your Age = 45 (see the chart below to determine the per month multiplier)

Imputed Income = \$250,000 – \$50,000 = \$200,000

\$200,000 /1000 x \$0.15 = \$30 per month

\$30 x 12 months / 26 pay periods = \$13.84 per paycheck

Based on this sample person's age and salary they are taxed on \$13.84 per paycheck, it is not a deduction of \$13.84, just an increase in the amount of taxes calculated for each check. Payroll is only required to withhold FICA taxes per paycheck but you will notice that the taxable income on the W-2 for both Federal and State will have an additional \$360 added. If we figure a 45% tax rate, this sample person will be paying about \$162 in income taxes this year for this life insurance plan. Your imputed income is shown in the right hand box of your paystub and is title Group Term Life.

One of the benefits of paying the taxes now on the life insurance is that it would be paid out in full, tax free to your beneficiaries if something were to happen to you. You can also choose to opt out of the plan during Open Enrollment to avoid the additional income taxes and have \$50,000 of life insurance from Marvell.

### IRS table for cost per \$1000 of Company Paid Life Insurance Coverage

Age	Per Month
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