

GROUP TERM LIFE INSURANCE COVERAGE EXCEEDING \$50,000

According to Section 79 of the Internal Revenue Code, the cost of Group Term Life Insurance coverage exceeding \$50,000 is considered taxable income reduced by the amount an employee pays for the insurance. An employees' age is determined as of the last day of the employees tax year.

<u>5-Year Age Bracket</u>	<u>Cost per \$1,000 of protection per month</u>
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 above	2.06

Example:

Tom's employer provides him with group-term life insurance coverage of \$200,000. Tom is 45 years old, is not a key employee, and pays \$100 per year toward the cost of the insurance. Tom's employer must include \$170 in his wages. The \$200,000 of insurance coverage is reduced by \$50,000. The total cost of \$150,000 of coverage is \$270 ($0.15 \times 150 \times 12$), and is reduced by the \$100 Tom pays for the insurance. The employer includes \$170 in boxes 1, 3, and 5 of Tom's Form W-2. The employer also enters \$170 in box 12 with code "C."



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