KENT STATE UNIVERSITY

Imputed Income for Employer-Provided Life Insurance and Voluntary Life Insurance

The Internal Revenue Service (IRS) requires that the value of life insurance in excess of $50,000 be reported as taxable income. The value of the amount over $50,000 is called "imputed income" and will be added to your taxable earnings. Both employer-provided life insurance and voluntary life insurance amounts are taxable. The table and example below show how imputed income is calculated.

Taxable Income per $1,000 of Protection

Employee's Age	Monthly	Annual
Under 25	$.05	$.60
25 through 29	.06	.72
30 through 34	.08	.96
35 through 39	.09	1.08
40 through 44	.10	1.20
45 through 49	.15	1.80
50 through 54	.23	2.76
55 through 59	.43	5.16
60 through 64	.66	7.92
65 through 69	1.27	13.44
70 and older	2.06	24.72

Example: John is 42 years old and earns $40,000 per year. He is eligible for $120,000 (3 times his annual salary) of ***employer-paid*** *basic group term life insurance. The amount of taxable insurance is $70,000 ($120,000 minus $50,000). For the employer-provided basic life insurance, the annual imputed income is $84.00 (70 X $1.20). The $84.00 amount will be included on John's W-2 (Box 12) statement as taxable income for the year.*