

## LIFE INSURANCE CALCULATIONS IRS TABLE & WPF AGE TABLE

Federal law requires the cost of employer-provided group-term life insurance in excess of \$50,000 be reported as taxable income. This applies to participants in WPF whose employer is making contributions on their behalf. Although the tax liability would be slight, it needs to be added to the employee's W-2 form as taxable compensation for the year.

To determine whether your pastor(s) and/or church employee(s) have this tax liability, you need to answer the following:

**WHO PAID THE PREMIUM FOR THE COVERAGE?** Under our plan structure, if your church makes a contribution for a participant, 1% of that contribution is used to pay for the life insurance and disability coverage provided. If an employee is only making *voluntary* contributions with *no employer* participation, then the 1% is not withheld so no insurance benefits are provided and no taxable income will be reflected on the employee's W-2.

If the church/employer makes the contributions, which are nontaxable, you will need to answer the following to determine whether there is additional taxable compensation:

**DOES THE TOTAL GROUP-TERM LIFE INSURANCE COVERAGE FOR ANY INDIVIDUAL EXCEED \$50,000?** This should include any coverage provided in addition to WPF, i.e., district, local church, etc. If the answer is "NO," the participant does not have additional taxable compensation. On the other hand, any coverage over \$50,000 paid by the church or employer must be reported as additional compensation.

If you have determined that your pastor(s) and/or church employees have employer-provided group-term life insurance that exceeds \$50,000, you now need to calculate the amount of taxable compensation that must be added to the W-2 form. For lay employees, FICA taxes need to be paid on the additional taxable amount, either from each paycheck or from the final one each year. Ministers covered by social security need to pay SECA taxes on any additional taxable income.

To figure the actual amount the IRS considers taxable income, complete the following (*see example on next page*):

Amount of Insurance over \$50,000 (in thousands)		Monthly Rate per \$1000 of Coverage (See Table)		Number of Months Covered		Total Additional Taxable Compensation
	x		x		=	

## UNIFORM PREMIUMS FOR \$1000 OF GROUP-TERM LIFE INSURANCE PROTECTION

Five-year Age Bracket	Cost per \$1000 of Protection for one month
Under 25	— \$0.05
25 to 29	— \$0.06
30 to 34	— \$0.08
35 to 39	— \$0.09
40 to 44	— \$0.10
45 to 49	— \$0.15
50 to 54	— \$0.23
55 to 59	— \$0.43
60 to 64	— \$0.66
65 to 69	— \$1.27
70 and above	— \$2.06

**EXAMPLE:** A pastor/employee, age 35, has been participating since January and the church has made monthly contributions of \$200 each month for the calendar year. The \$200 a month represents 12% of the employee's salary. Under our plan document, this employee will have a life insurance benefit of 3.5 x \$20,000 (his annual salary for which 12% is paid) = \$70,000-\$50,000 = \$20,000.

Amount of Insurance over \$50,000 (in thousands)	Monthly Rate per \$1000 of Coverage (See Table)	Number of Months Covered	Total Additional Taxable Compensation
20	.09	12	\$21.60

## LIFE INSURANCE COVERAGE: AGE TABLE

Age	Multiple	Age	Multiple	Age	Multiple	Age	Multiple
<i>Less than 30</i>	4	37	3.3	45	2.5	53	1.7
30	4	38	3.2	46	2.4	54	1.6
31	3.9	39	3.1	47	2.3	55	1.5
32	3.8	40	3.0	47	2.2	56	1.4
33	3.7	41	2.9	49	2.1	57	1.3
34	3.6	42	2.8	50	2.0	58	1.2
35	3.5	43	2.7	51	1.9	59	1.1
36	3.4	44	2.6	52	1.8	60-70	1.0

*Multiples for Determining Group Life Coverage*