

Reporting Imputed Income

Long-Term Disability, Life Insurance, and Taxes

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UUA Office of Church Staff Finances



Our Mission

Guided by the values of our faith,
we equip congregations for excellence as employers
and their staff for financial competence and well-being.



Photo: Last Minute Linda



Our Time Together

What is Imputed Income?

How to report LTD premiums

How to report Life premiums



What is Imputed Income?

- The IRS considers all compensation taxable. Compensation is anything of value given in exchange for labor, either cash (wages, tips, bonus, etc.) or non-cash (fringe benefits).
- Fringe benefits can result in imputed income.
- For information on all taxable fringe benefits, see IRS Publication 15b (<https://www.irs.gov/publications/p15b>).
- LTD premiums reporting is optional, substantial tax impact on employee at time of claim if not reported
- Life Insurance reporting is required by the IRS



Reporting Long-Term Disability (LTD) Premiums

- Only applies if the Congregation pays or if the Employee pays pre-tax.
- *If the Employee pays with after-tax earnings, there is no reporting requirement.*
- LTD imputed income reporting is optional, but if not reported on the employee's W-2, the employee will pay taxes out of claim benefits.
- Include the actual premium amount paid for the year on the employee's W-2 in boxes 1, 3, and 5. Optional to list in Box 14 with explanatory note.



Reporting LTD Premiums

		a Employee's social security number		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
		OMB No. 1545-0046					
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld			
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld			
		5 Medicare wages and tips		6 Medicare tax withheld			
		7 Social security tips		8 Allocated tips			
d Control number		9		10 Dependent care benefits			
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans	
		13 Statutory employee <input type="checkbox"/>		Retirement plan <input type="checkbox"/>		12a See instructions for box 12	
		Third-party sick pay <input type="checkbox"/>		12b			
		14 Other		12c			
12d							
f Employee's address and ZIP code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement

2021

Department of the Treasury—Internal Revenue Service

Copy C—For EMPLOYEE'S RECORDS
(See Notice to Employee on the back of Copy B.)



Reporting Life Insurance Premiums

- Premiums and Important Tax Information for Life/AD&D Insurance
<https://www.uua.org/finance/compensation/insurance-plans/term-life/premium-tax-info>
- UUA Life Insurance is 2x employee wages, up to \$200,000 in benefits
**The first \$50,000 is tax exempt
- To calculate imputed income for Life insurance, you'll need to know:
 - the employee's annual earnings (salary + housing for ministers);
 - the employee's age;
 - the number of months employee was covered in the calendar year

** Note: if the employee pays any part of premium post-tax, the tax liability will be reduced*



Calculating Life Insurance taxable income

$((\text{amount of Life Ins.} - 50,000) \div 1,000) * (\text{employee's age index}) * (\# \text{ months covered in calendar year})$

*Amount of Life insurance = Annual Earnings * 2 up to a maximum of \$200,000*

Employee Age Index = from IRS Publication 15b Table 2-2:

Table 2-2. Cost Per \$1,000 of Protection for 1 Month

<u>Age</u>	<u>Cost</u>
Under 25	\$ 0.05
25 through 29	0.06
30 through 34	0.08
35 through 39	0.09
40 through 44	0.10
45 through 49	0.15
50 through 54	0.23
55 through 59	0.43
60 through 64	0.66
65 through 69	1.27
70 and older	2.06



Example #1

Bud: \$24,200 / 33 years old / February / 100% paid

*((amount of Life Ins.- 50,000) ÷ 1000) * (EE age index) * (# months covered in calendar year)*

*Amount of Life insurance = Annual Earnings * 2 up to a maximum of \$200,000*

$$(((24,300*2)-50,000) / 1000) * .08 * 11$$

$$((48,600-50,000) / 1000) * .08 * 11$$

$$(-3,200 / 1000) * .08 * 11$$

$$0 * .08 * 11$$

$$0 * 11$$

\$0.00

Table 2-2. Cost Per \$1,000 of Protection for 1 Month

<u>Age</u>	<u>Cost</u>
Under 25	\$ 0.05
25 through 29	0.06
30 through 34	0.08
35 through 39	0.09
40 through 44	0.10
45 through 49	0.15
50 through 54	0.23
55 through 59	0.43
60 through 64	0.66
65 through 69	1.27
70 and older	2.06



Example #2

Mica: \$104,700 / 38 years old / year-round / 100% paid

*((amount of Life Ins.- 50,000) ÷ 1000) * (EE age index) * (# months covered in calendar year)*

*Amount of Life insurance = Annual Earnings * 2 up to a maximum of \$200,000*

$$(((104,700 * 2) - 50,000) / 1000) * .09 * 12$$

$$((209,400 - 50,000) / 1000) * .09 * 12$$

$$(200,000 - 50,000) / 1000 * .09 * 12$$

$$150,000 / 1000 * .09 * 12$$

$$150 * .09 * 12$$

$$13.5 * 12$$

\$162.00

Table 2-2. Cost Per \$1,000 of Protection for 1 Month

<u>Age</u>	<u>Cost</u>
Under 25	\$ 0.05
25 through 29	0.06
30 through 34	0.08
35 through 39	0.09
40 through 44	0.10
45 through 49	0.15
50 through 54	0.23
55 through 59	0.43
60 through 64	0.66
65 through 69	1.27
70 and older	2.06



Example #3

Iris: \$44,600 / 47 years old / coverage started November / 100% paid

*((amount of Life Ins.- 50,000) ÷ 1000) * (EE age index) * (# months covered in calendar year)*

*Amount of Life insurance = Annual Earnings * 2 up to a maximum of \$200,000*

$$(((44,600*2)-50,000) / 1000) * .15 * 2$$

$$((89,200-50,000) / 1000) * .15 * 2$$

$$(39,200 / 1000) * .15 * 2$$

$$39.2 * .15 * 2$$

$$5.88 * 2$$

\$11.76

Table 2-2. Cost Per \$1,000 of Protection for 1 Month

<u>Age</u>	<u>Cost</u>
Under 25	\$ 0.05
25 through 29	0.06
30 through 34	0.08
35 through 39	0.09
40 through 44	0.10
45 through 49	0.15
50 through 54	0.23
55 through 59	0.43
60 through 64	0.66
65 through 69	1.27
70 and older	2.06



Reporting Imputed Income for Life Insurance

		a Employee's social security number		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
		OMB No. 1545-0008					
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld			
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld			
		5 Medicare wages and tips		6 Medicare tax withheld			
		7 Social security tips		8 Allocated tips			
d Control number		9		10 Dependent care benefits			
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans	
		13 Statutory employee <input type="checkbox"/>		Retirement plan <input type="checkbox"/>		12a See instructions for box 12	
		Third-party sick pay <input type="checkbox"/>		12b		C	
		14 Other		12c			
				12d			
f Employee's address and ZIP code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

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Resources

LTD and taxes:

<https://www.uua.org/finance/compensation/insurance-plans/ltd/176239.shtml>

Life Insurance and taxes:

<https://www.uua.org/leadership/library/insurance-taxes>

IRS Publication 15b:

<https://www.irs.gov/pub/irs-pdf/p15b.pdf>

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