Reporting Imputed Income

Long-Term Disability, Life Insurance, and Taxes

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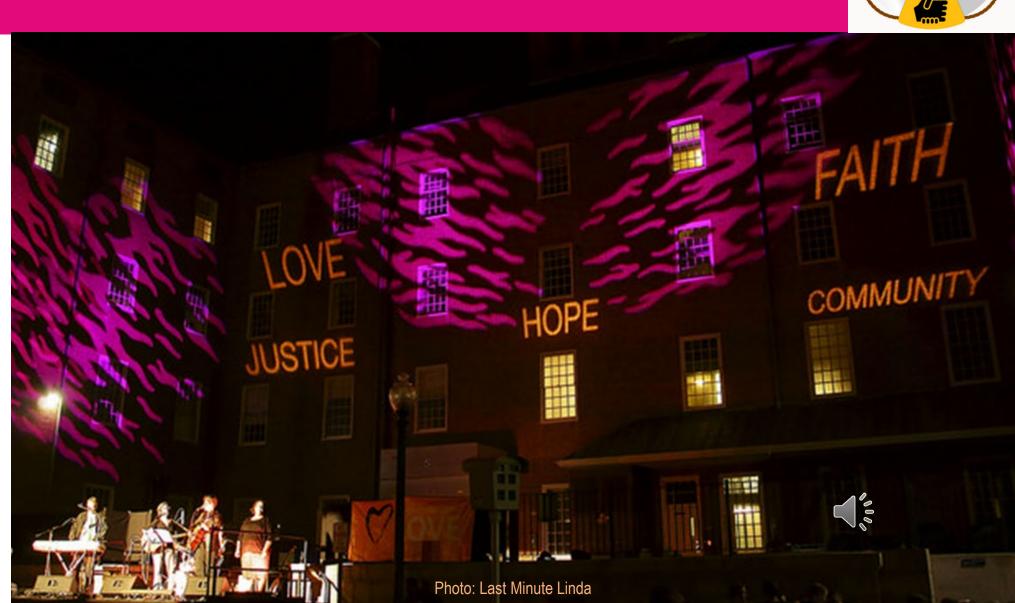
UUA Office of Church Staff Finances

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.

LOVE

JUSTICE

HOPE

FAITH

COMMUNITY

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
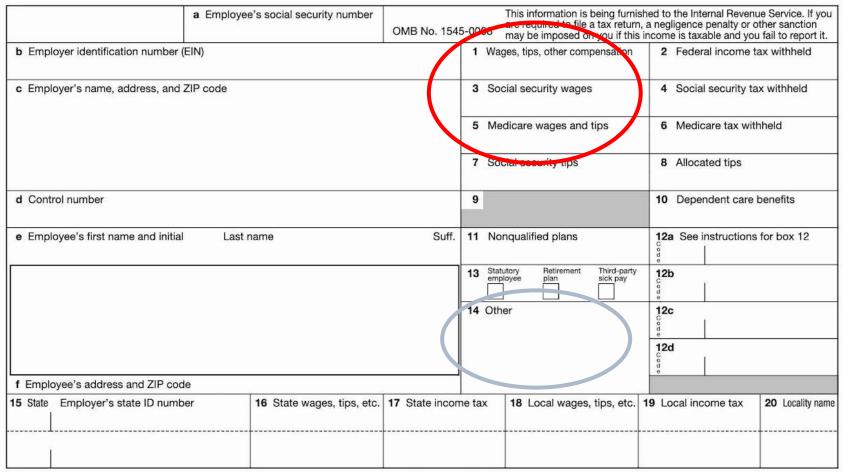
- Life Insurance reporting is required by the IRS

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

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

*((amount of Life Ins.- 50,000) ÷ 1,000) * (employee's age index) * (# 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

Age	Cost
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

Age	Cost
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*

$(((104{,}700 \times 2) - 50{,}000) / 1000) \times .09 \times 12$

$((209{,}400 - 50{,}000) / 1000) \times .09 \times 12$

$(200{,}000 - 50{,}000) / 1000 \times .09 \times 12$

$150{,}000 / 1000 \times .09 \times 12$

$150 \times .09 \times 12$

13.5×12

$162.00

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

Age	Cost
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)*

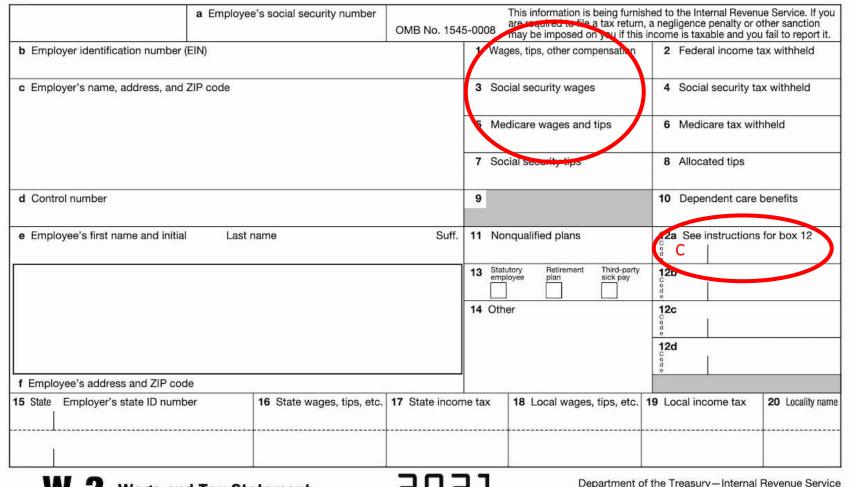*Amount of Life insurance = Annual Earnings * 2 up to a maximum of $200,000*

(((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

Age	Cost
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

Reporting Imputed Income

Long-Term Disability, Life Insurance, and Taxes

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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