



ESSEX COUNTY COLLEGE

Human Resources Department

GROUP TERM LIFE INSURANCE (GTL) TAXABLE INCOME

For Informational Purposes Only

Based on IRS regulation, you are required to pay Federal and State taxes on the *premium cost* for your life insurance in excess of \$50,000 coverage. The following examples illustrate how Group Term Life Insurance Taxable Income is calculated:

EXAMPLE: Alternate Benefit Program

Participant salary = \$50,000.

Value of life insurance (3 ½ x annual salary) = \$175,000

Coverage amount in excess of \$50,000 = \$175,000 minus \$50,000 = **\$125,000**

The PREMIUM COST on \$125,000 is taxable income.

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EXAMPLE: Public Employees' Retirement System

Participant salary = \$50,000.

Value of life insurance (3 x annual salary) = \$150,000

Coverage amount in excess of \$50,000 = \$150,000 minus \$50,000 = **\$100,000**

The PREMIUM COST on \$100,000 is taxable income.

NOTE: *The participant receives credit for premiums paid during the year in the contributory program.*

Example:

Annual **GTL** premium cost = \$900

Contributory premiums paid during the year = \$215

Taxable amount = \$900 minus \$215 = \$685