Imputed Income

If you receive certain non-monetary benefits from your employer whose value exceeds a threshold set by the IRS, then the value of that benefit is considered taxable and is termed "Imputed Income."

How This Affects You

To determine if a life insurance benefit can be taxed as imputed income, the IRS utilizes a rate table (see Table 1 below) to determine the total value of the benefit, and any amount beyond a threshold set by the IRS is taxed. The IRS provides an exclusion for the first $50,000 of group-term life insurance coverage provided under a policy carried directly or indirectly by an employer.

General City or Elected Officials	**Sworn Fire or Police in MPA**
The City is providing $50,000 in basic coverage that is free to the employee (City pays the premiums).	The City is providing $55,000 in basic coverage that is free to the employee (City pays the premiums).
Consider an example where an employee who is 47 years old, earns $45,000 a year, and elects 200% in voluntary coverage.	Consider an example where an employee who is 47 years old, earns $45,000 a year, and elects 200% in voluntary coverage.
This person's voluntary coverage is $90,000. Using the person's age (47 on Jan. 1), MetLife's insurance rate is $0.120 per $1,000 in coverage, so the monthly premiums deducted from the person's pay check are ($90,000 x $0.120 / $1,000 =) $10.80. This amount of $10.80 will be deducted from the person's second paycheck each month.	This person's voluntary coverage is $90,000. Using the person's age (47 on Jan. 1), MetLife's insurance rate is $0.120 per $1,000 in coverage, so the monthly premiums deducted from the person's pay check are ($90,000 x $0.120 / $1,000 =) $10.80. This amount of $10.80 will be deducted from the person's second paycheck each month.
For taxability, the IRS considers the total coverage a person has, which for this example is $50,000 (City-paid coverage) + $90,000 (voluntary coverage) = $140,000.	For taxability, the IRS considers the total coverage a person has, which for this example is $55,000 (City-paid coverage) + $90,000 (voluntary coverage) = $145,000.
Using the rates shown below in Table 1, the person's rate is $0.15 per $1,000 of coverage (age 48 on Dec. 31). The IRS provides an exclusion of $50,000 for life insurance benefits, so for our example the person's benefit that needs to be valued is $140,000 - $50,000 = $90,000. At the rate of $0.15, the IRS values the benefit at ($90,000 x $0.15 / $1,000 =) $13.50.	Using the rates shown below in Table 1, the person's rate is $0.15 per $1,000 of coverage (age 48 on Dec. 31). The IRS provides an exclusion of $50,000 for life insurance benefits, so for our example the person's benefit that needs to be valued is $145,000 - $50,000 = $95,000. At the rate of $0.15, the IRS values the benefit at ($95,000 x $0.15 / $1,000 =) $14.25.
The person is actually paying $10.80. The difference between the value of the benefit and the premiums is considered imputed income. For our example, the person's imputed income will be ($13.50 - $10.80 =) $2.70 per month.	The person is actually paying $10.80. The difference between the value of the benefit and the premiums is considered imputed income. For our example, the person's imputed income will be ($14.25 - $10.80 =) $3.45 per month.

The imputed income will be added to your taxable earnings once a month, however the City does not withhold federal or state taxes using that value. You will not actually receive this additional imputed amount on your paycheck; it will only be added on for purposes of tax calculations.

Table 1
IRS Rates Used to Determine Imputed Income

Age*	Cost
Under 25	$ .05
25 through 29	.06
30 through 34	.08
35 through 39	.09
40 through 44	.10
45 through 49	.15
50 through 54	.23
55 through 59	.43
60 through 64	.66
65 through 69	1.27
70 and older	2.06

*Age for this table is based upon age as of 12/31 of the year