

Section 803.06

Imputed Income

Section 79 of the Internal Revenue Service Code (IRC) stipulates that when an employer provides group life insurance in excess of \$50,000, additional income (imputed income) to the employee may occur where the premiums charged for such coverage's are less than the premium rate established by the Internal Revenue Service. Such income is subject to income and Social Security taxes. Employees should be aware of the fact that income taxes are not withheld from the imputed income and might, in certain cases, result in a significant tax liability. The Department of Human Resources advises employees annually, in January, of anticipated imputed income in excess of \$50 to allow employees to adjust their withholding exemptions, if required.

1. Retiree Imputed Income

Retirees are subject to the imputed income calculation and are assessed the FICA Medicare deduction for such income. This is added to the insurance premium billing, and the income is reported on the W-2 form, as with active employees.