



Reporting Taxable Amount of Life Insurance Premiums

Revised November 2023

Board Paid Life Insurance Over \$50,000

According to the Internal Revenue Service, for employer provided group-term life insurance, the cost of coverage over \$50,000 is to be included in the wages reported for the employee. This amount is subject to withholding for Social Security and Medicare, but not income tax. The cost is generally determined by using the uniform premium rates provided by the IRS in Table 2-2 of Publication 15-B. These rates set the cost of each \$1000 of group-term life insurance for each month, according to the employee's age as of the end of the calendar year. The following steps will ensure that the proper amounts will be taxed and placed on the W2 forms.

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

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

You figure the total cost to include in the employee's wages by multiplying the monthly cost by the number of full months' coverage at that cost.

Calculating the Taxable Premium of Board Paid Life Insurance Over \$50,000

Calculate the taxable amount for each employee involved.

Example: A 35 year old principal receives \$250,000.00 of board paid group term life insurance for an entire calendar year.

1. Calculate the amount of excess coverage over \$50,000.00. This is used to determine the taxable coverage. In this example, the amount of taxable coverage would be \$200,000.00.

$$\$250,000.00 - \$50,000.00 = \$200,000.00$$

2. Divide this figure by \$1,000 to determine how many thousands of dollars are involved. This figure is used to determine the annual cost. In this example, the result is 200.

$$\$200,000.00 / \$1,000.00 = 200$$

3. [IRS Publication 15-B](#) gives the cost per \$1000.00 of protection for a 1 month period. The cost for this 35 year old is .09 per month. This must be multiplied by the number of months the coverage was in effect. In this example, multiply .09 by 12 months.

$$\$0.09 \times 12 = \$1.08$$

4. The non-cash earnings amount is calculated by taking the number of thousands and multiplying it by the factor calculated in the previous step. In this example, the resulting non-cash earnings amount is \$216.00.

$$200 \times \$1.08 = \$216.00$$

Click [here](#) for instructions for Processing Life Insurance Premium Payments (in a Payroll & outside a Payroll).