GROUP TERM LIFE INSURANCE

Group Term Life Insurance is a benefit provided by the Board of Education to its full time employees. Please review your benefit package or the AFT contract for further details.

Employer provided group term life insurance with a value of $50,000 or less is a tax free benefit to employees. The value of the coverage in excess of $50,000 is taxable income according to the IRS and subject to federal and state income tax, and Medicare and Social Security taxes, if applicable.

On the May 28th paycheck, employees with coverage in excess of $50,000 will see this excess value included in their pay check. At that time deductions will be taken for Medicare and Social Security only if applicable. The group term life insurance is a non cash benefit to our employees and the amount will appear as income and as a deduction in the May 28th paycheck. This excess value will be included in the Federal and State earnings reported on the W-2 and appear in box 12 with Code C.

The value of the group term life insurance benefit in excess of $50,000 included in the employee's income is calculated using the IRS Uniform Premium Table I.

UNIFORM PREMIUM TABLE I
IRC Section 79
Fair Market Value of Group Term Life Insurance per $1,000 of Excess Benefit per Month

Age Bracket	**Group Term Life Cost Factor**
Under 25	$ 0.05
25 to 29	$ 0.06
30 to 34	$ 0.08
35 to 39	$ 0.09
40 to 44	$ 0.10
45 to 49	$ 0.15
50 to 54	$ 0.23
55 to 59	$ 0.43
60 to 64	$ 0.66
65 to 69	$ 1.27
70 and above	$ 2.06

The age of the employee on the last day of the calendar year is used to calculate the value of the group term life in excess of $50,000.

The calculation is as follows:

1. Determine the base salary, rounded to the next thousand. The amount may change during the calendar year.
   The base salary for employees working 185 days is the base salary in January and the base salary in August. The base salary for employees working year round is the base salary in January and the base salary in July. The base salary in January will include any retroactive salary advancements and/or retirement incentives.
2. Calculate the excess benefit over $50,000.
3. Divide the excess insurance amount by $1,000.
4. Determine the employee's age as of December 31 of the calendar year during which the benefit is taxable.
5. Use the IRS Table I to calculate the fair market value of one month of excess insurance per $1,000 and multiply it by the answer obtained from step 3.

6. Determine the number of month's coverage and multiply by the answer obtained from step 5. For the May payroll the number of month's coverage will be seven (January to July) For the December payroll the number of months coverage will be five (August to December)
7. Add the excess amount to the employee's taxable wages.

Example: Employee is born February 14, 1967. The employee is 54 in December 2021. The employee base salary is $63,958 in January and $64,598 in August. The employee is a 185 day employee.

Step 1: Coverage beginning January is $64,000; Coverage beginning August is $65,000.
Step 2: Excess benefit beginning January is $14,000 ($64,000 - $50,000)
Excess benefit beginning August is $15,000 ($65,000 - $50,000)
Step 3: Excess benefit January of $14,000 divided by $1,000 is $14
Excess benefit August of $15,000 divided by $1,000 is $15
Step 4: The employee is 54 in December 2021
Step 5: The fair market value per $1,000 for a 54-year-old individual is $0.23.
$0.23 times $14 times 7 months equals $22.54.
$0.23 times $15 times 5 months equals $17.25.

The taxable income or value of the group term life for the calendar year for the above is $39.79 ($22.54 plus $17.25).