



Imputed income for basic life insurance

AECOM provides basic life insurance as an employee benefit much like many other companies. AECOM pays for this basic coverage, and you have the option to purchase supplemental coverage for you and your dependents.

Federal tax law requires you to pay taxes on the cost of basic life insurance coverage over \$50,000. This is called "imputed income" and is added to your gross taxable income. It is included on your paychecks and your Form W-2 each year. The amount of imputed income is based on your age and basic life insurance coverage amount. The IRS Premium Table rates are found here: **Publication 15-B** (rates are also listed in table below).

Following examples of how to calculate the additional tax liability related to this benefit.

EXAMPLE 1:

For an employee (age 45) making \$75,000 in annual salary and receiving 1 times annual salary in basic life insurance (\$75,000), the imputed income would be calculated as follows:

- Amount of basic life insurance subject to imputed income:
 $\$75,000 - \$50,000 = \$25,000$
- Monthly rate (for age 45): \$0.15 per \$1,000 of coverage over \$50,000
- Monthly imputed income: $(\$25,000 \div \$1,000) \times \$0.15 = \$3.75/\text{month}$
- Annual imputed income: $\$3.75 \times 12 = \45
- Assuming a federal tax rate of 22% (rate used is for illustrative purposes only; actual tax rate depends on employee's situation), this employee would be liable for an additional \$10 ($\$45 \times .22$) in annual tax liability.

EXAMPLE 2:

For an executive (age 55) making \$300,000 in annual salary and receiving 4 times annual salary in basic life insurance (\$1,200,000), the imputed income would be calculated as follows:

- Amount of basic life insurance subject to imputed income:
 $\$1,200,000 - \$50,000 = \$1,150,000$
- Monthly rate (for age 55): \$0.43 per \$1,000 of coverage over \$50,000
- Monthly imputed income: $(\$1,150,000 \div \$1,000) \times \$0.43 = \$494.50/\text{month}$
- Annual imputed income: $\$494.50 \times 12 = \$5,934$
- Assuming a federal tax rate of 35% (rate used is for illustrative purposes only; actual tax rate depends upon employee's situation), this employee would be liable for an additional \$2,077 ($\$5,934 \times .35$) in annual tax liability.

Internal Revenue Service Publication 15-B, Table 2-2

Age	Monthly Cost Per \$1,000 of Coverage Over \$50,000
Under 25	\$0.05
25-29	\$0.06
30-34	\$0.08
35-39	\$0.09
40-44	\$0.10
45-49	\$0.15
50-54	\$0.23
55-59	\$0.43
60-64	\$0.66
65-69	\$1.27
70+	\$2.06