

BLUFF HEAD ENTERPRISES, INC.

IRC Section 79 Group Term Life Insurance Imputed Income

This notice is to remind you about imputed income for group term life insurance as required under IRC Section 79. IRC Section 79 allows employees to exclude the cost of the first \$50,000 of employer-provided group term life insurance coverage from gross income. Conversely, the cost of any employer-provided group term life insurance for any coverage amounts above \$50,000 is considered imputed income and is subject to FICA withholding. Also, if supplemental life insurance is paid on a pre-tax basis, it is considered "employer-provided" by the IRS and would be included in determining the total employer-provided benefit.

The IRC Section 79 rates increase the tax liability for those employees that receive group term life insurance coverage in excess of \$50,000. The rates would be applied per \$1,000 of coverage in excess of \$50,000 as follows:

Age Bracket	Monthly Rate	Age Bracket	Monthly Rate
Under 25	\$0.05	50 to 54	\$0.23
25 to 29	0.06	55 to 59	0.43
30 to 34	0.08	60 to 64	0.66
35 to 39	0.09	65 to 69	1.27
40 to 44	0.10	70 and over	2.06
45 to 49	0.15		

To determine which age bracket applies, calculate the employee's age as of December 31 of the given tax year. Do not pro-rate between two age brackets for those employees who switch to a higher bracket mid-year.

Please feel free to give us a call if you have any questions or concerns regarding these changes, or if you would like our assistance in calculating imputed income for your affected employees.

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