



FINANCE OFFICE MEMORANDUM

Date: December 28, 2007
To: Health Plan Covered Employees
From: Payroll Office
RE: Group Term Life Taxable Benefit Reported

According to IRS regulations, employees who are covered by more than \$50,000 in Group Term Life Insurance receive a taxable fringe benefit. The amount of the benefit is based on the employee's age and the cost of coverage that exceeds \$50,000.

Our policy covers employees for life insurance at twice their annual earnings, rounded up to the next higher \$1,000. For example, an annual pay rate of \$36,300, converts to \$73,000 ($\$36,300 \times 2 = \$72,600$ rounded up to \$73,000) of group term life insurance coverage. The taxable fringe benefit is based only on the coverage that exceeds \$50,000 so in this example it would be \$23,000.

The IRS uses a table that increases the value of this coverage as employee age increases. The benefit of an employee who is 25 is \$0.72 per \$1,000 of coverage. This value increases every 5 years and tops out at \$24.72 per \$1,000 at age 70.

The benefit amount resulting from these two calculations will be processed with the December 19th payday; taxes will be deducted accordingly. This benefit amount will be reported on your W-2 form, indicated by a Code "C" entry in Box 12.