WHAT IS IMPUTED INCOME?

"Imputed income" includes the cost for benefits you receive as an employee—such as Group Term Life coverage—that aren't part of your salary. Even though you do not have to pay for those benefits, you are still responsible to pay taxes on their value.

Your employer figures how much imputed income to include in your salary for tax purposes by multiplying the number of thousands of dollars of your coverage over $50,000 by the cost shown in the table below (see Table 2-2 from IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits*).

COST PER $1,000 OF PROTECTION FOR 1 MONTH	
EMPLOYEE'S AGE	**COST**
Under 25	$0.05
25 through 29	$0.06
30 through 34	$0.08
35 through 39	$0.09
40 through 44	$0.10
45 through 49	$0.15
50 through 54	$0.23
55 through 59	$0.43
60 through 64	$0.66
65 through 69	$1.27
70 and older	$2.06

Example: Tom's employer provides him with coverage of $200,000. He is 45 years old. His employer calculates how much imputed income to include in his salary by reducing the $200,000 of coverage by $50,000, and then figuring the yearly cost of $150,000 of coverage like this:

Cost from table for ages 45-49		$0.15
Number of thousands of coverage	X	150
Months of coverage per year	X	12
Amount of imputed income	=	$270

Tom's employer must include $270 of imputed income in his annual salary for tax purposes.