



Bethany Benefit Service

A ministry of The Evangelical Covenant Church

Important 2020 W-2 Tax and Payroll Information

To: Treasurer or Payroll Manager

Re: Instructions for tax reporting of life insurance over \$50,000 for employees

The group term life insurance benefit that you provide to your employees from Bethany Benefit Service is in the amount of \$100,000 (up to age 65). The IRS allows only up to \$50,000 of group-term life insurance paid by the employer to be tax-free. **The benefit in excess of that amount must be reported as taxable income to your employees in the following manner:**

- Calculate the amount of income to report for each individual based on the table on the reverse side, using the age of each employee as of December 31, 2020.
- Please note that insurance coverage for employees between the ages 65 and 69 is reduced to \$65,000, so only \$15,000 should be used in the calculation. The life insurance benefit for employees age 70 and older is reduced at or below \$50,000, so no calculation is required.
- For non-ministerial staff:
 - Report the calculated amount as income on December payroll for each employee, subject to social security and Medicare taxes AND
 - Report the calculated amount as wages in boxes 1, 3 and 5 of the employee's W-2 and show it on line 12 of their W-2 as Code "C"
- For ministers:
 - Report the calculated amount as income on December payroll for each pastor AND
 - Report the calculated amount as wages in box 1 of the pastor's W-2 and show it on line 12 of their W-2 as Code "C"

If you have any questions, please contact me at christina.kempe@covchurch.org or (773) 907-3376.

Sincerely in Christ,

Christina J. Kempe
Benefits Administrator

Age	Benefit value per \$1,000 of life insurance coverage per month
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

Example:

Jane Doe

Life insurance start date: 2/1/2020

Date of birth: 5/1/1987

- Number of months insured: 11
- Age as of 12/31/2020: 33
- Benefit value per \$1,000 life insurance for age bracket: \$0.08

Calculation for Jane Doe:

$11 \times .08 \times 50 = \mathbf{\$44.00}$ added to payroll as taxable income and included on W-2 in lines 1, 3 and 5 and line 12 with code "C"

(11 months of life insurance in 2020; \$0.08 per \$1,000 life insurance; \$50,000 life insurance over non-taxable limit)