



## Bethany Benefit Service

*A ministry of The Evangelical Covenant Church*

### Important 2016 W-2 Tax and Payroll Information

November 10, 2016

To: Treasurer or payroll manager

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

The life insurance that you purchase for 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 life insurance to be tax-free. The \$50,000 excess must be reported 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, 2016.
- 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-pastoral 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 pastors:**
  - 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 email me at [christina.kempe@covchurch.org](mailto:christina.kempe@covchurch.org) or call at (773) 907-3376.

Sincerely in Christ,

Christina J. Kempe  
Benefits Coordinator

Age	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 of the calculation to do **prior to completing final 2016 payroll and 2016 W-2's** for all employees with life insurance coverage:

John Doe

Life insurance start date: 2/1/16

Date of birth: 5/1/64

- Number of months insured: 11
- Age: 52
- Cost for age bracket 50-54: \$0.23 (per thousand over \$50,000 [\$50,000])

Calculation for John Doe:

$11 \times .23 \times 50 = \mathbf{\$126.50}$  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 2016; 23 cents per thousand; \$50,000 life insurance over limit)