Important 2026 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 Covenant Benefits is in the amount of $100,000 (up to age 65). IRS publication 15-B allows only up to $50,000 of group-term life insurance paid by the employer to be tax-free. **The benefit of the life insurance policy in excess of $50,000 must be reported as taxable income to your employees in the following manner:**

- Calculate the taxable benefit amount to report for each individual based on the table on the reverse side, using the age of each employee as of December 31, 2026.
- 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.
- Report taxable benefit amount in the following manner:
    - (Optional) Report the calculated amount as taxable income on payroll for each employee, subject to social security and Medicare taxes if you usually withhold social security and Medicare taxes AND
    - Include 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"

If you have any questions, please contact our office.

Sincerely in Christ,



Christina J. Kempe
Director of Covenant Benefits

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:

Pastor #1
Life insurance start date: 2/1/2026
Date of birth: 5/1/1991

- Number of months insured: 11
- Age as of 12/31/2026: 35
- Life insurance amount over $50,000: $50,000
- Benefit value per $1,000 life insurance for age bracket: $0.09

Calculation for Pastor #1:

11 x .09 x 50 = **$49.50** 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 2026; $0.09 per $1,000 life insurance; $50,000 life insurance over non-taxable limit)