Imputed income
The value of any basic life insurance coverage over $50,000 is deemed "imputed income" by the IRS, which means it is subject to Social Security and Medicare taxes and will be reported on your W-2 form each year. Per IRS regulations, imputed income is based on your age and the monthly cost per $1,000 of coverage exceeding $50,000.

Table 1 is a uniform premium table published by the IRS that is used to determine how much imputed income applies to each employee. The cost of the excess coverage is based on the Table 1 rate, not the rate the employer or employee is actually paying for the coverage to the insurance carrier. Table 1 rates are age banded step rates, and the age of the employee as of the last day of the taxable year must be used in calculations.

Table 1 Rates for Group Term Life
Age Bracket Monthly Cost/$1,000 Excess

- Less than 25 $.05
- 25 to 29 $.06
- 30 to 34 $.08
- 35 to 39 $.09
- 40 to 44 $.10
- 45 to 49 $.15
- 50 to 54 $.23
- 55 to 59 $.43
- 60 to 64 $.66
- 65 to 69 $1.27
- 70 and Older $2.06

Calculating Imputed Income
The basic formula for the imputed income calculation for each employee is as follows:

((Total group term coverage - $50,000) / 1,000)
x Table 1 rate for employee's age
- employee after-tax contributions for the year
x 12 months

For example, an employee between the ages of 30-39 who has $100,000 of basic life insurance will have a taxable income that is about $48-$54/year higher than an employee with $50,000 of basic life coverage. If you would rather waive coverage in excess of $50,000 to avoid taxable imputed income, you must complete and submit a waiver. The effective date of your waiver is the first of the following month. Note that if you waive coverage above $50,000 and then wish to reinstate it, you must provide Evidence of Insurability to Aetna.