



Ohio Department of Administrative Services

HUMAN RESOURCES DIVISION
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BOB TAFT, GOVERNOR

C. SCOTT JOHNSON, DIRECTOR

July 14, 1999

Payroll Letter 760

To: Payroll Officers, Personnel Officers, Labor Relations Officers and Fiscal Officers of all Departments, Institutions, Boards and Commissions

From: Robert L. Cruse, State Payroll Administrator

Subject: Group Term Life Insurance Exceeding \$50,000

The value of group term life insurance in excess of \$50,000 provided to State employees is considered a taxable benefit to be included with employees' gross income and reflected on their W2 form for the purpose for filing their annual income tax return. Effective July 1, 1999 new group term life insurance rates go into effect. The new rates as well as a new age bracket are listed on page two of this letter.

Federal, state, municipal and school district taxes, and retirement contributions will not be withheld from the GLI benefit. In addition, the GLI benefit will not be added to the agency's gross payroll. Therefore, the agency check-off charges will not be affected.

Since group life insurance is charged to the agency the first pay period of each month, employees receiving over \$50,000 of group life insurance will have their gross income increased the first pay period of each month.

The amount of the GLI benefit is computed as follows:

- a) Determine the amount of excess GLI coverage by subtracting \$50,000 from the amount of group life insurance provided.

Example-

$\$75,000 \text{ (GLI) } - \$50,000 = \$25,000 \text{ excess coverage.}$

- b) Determine the cost of the excess life insurance coverage using the chart prepared by the IRS. "AGE" is the employee's age as of December 31 of the year in which the benefit is taxable.

GROUP-TERM LIFE INSURANCE
Cost per \$1,000 of Coverage for 1-Month Period

| <u>AGE</u> | <u>COST</u> |
|-------------------|-------------|
| Under 25----- | \$0.05 |
| 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 above----- | 2.06 |

Example- 46 year old with \$75,000 group life insurance:

$$\frac{\$25,000}{\$1,000 \text{ coverage}} = 25 \times \$.15 \text{ (from IRS table)} = \$3.75 \text{ taxable}$$

Field "PRGLITAX" will contain \$3.75.

The Disbursement Journal will print GLI benefit as: "\$\$. \$\$ GLI Benefit" in the pay exception area. Also, the message "\$\$. \$\$ GLI TAXABLE BENEFIT" will print on the employees earnings statement.

RLC/atd