



# Rensselaer

## GUIDE FOR CALCULATING ADDITIONAL TAX FOR LIFE INSURANCE BENEFIT OVER \$50,000

(Review this guide before completing the \$50,000 Life Insurance Limit Form on the reverse.)

Rensselaer is required to withhold FICA (Federal Insurance Contributions Act) tax on the cost of the life insurance coverage over \$50,000 when an employee's benefit exceeds \$50,000. This cost is not based on the actual cost of the premium charged by the insurance company, but on costs established by the Internal Revenue Service (IRS).

Before making a decision, you may want to calculate the additional tax that would be imposed on your life insurance over \$50,000. The two examples below are based on the following table:

### IRS CALCULATION OF MONTHLY COST PER \$1,000 OF LIFE INSURANCE ON THE EXCESS OVER \$50,000

Under age 25	\$.05
Ages 25 through 29	\$.06
Ages 30 through 34	\$.08
Ages 35 through 39	\$.09
Ages 40 through 44	\$.10
Ages 45 through 49	\$.15
Ages 50 through 54	\$.23
Ages 55 through 59	\$.43
Ages 60 through 64	\$.66
Ages 65 through 69	\$1.27
Over age 69	\$2.06

The FICA tax for 2008 is 7.65% (6.20% for social security and 1.45% for Medicare). The taxable wage base for the social security portion is \$102,000. This means that no social security tax is imposed on wages over \$102,000. There is no limit for the Medicare portion.

**Example 1:** An employee, age 37, earns \$17,700 per year. Rensselaer provides this employee with a life insurance benefit equal to 2.25 times the July 1 rate of pay ( $\$17,700 \times 2.25 = \$39,825$ ), rounded up to the next \$1,000. In this instance the benefit is \$40,000. As the benefit is under \$50,000, the benefit is not considered excessive by the Internal Revenue Service and is not taxed.

**Example 2:** An employee, age 55, earns \$47,500. Rensselaer provides this employee with a life insurance benefit equal to 2.25 times the July 1 rate of pay ( $\$47,500 \times 2.25 = \$106,875$ ). In this instance the benefit is \$107,000. The amount considered in excess is \$57,000 ( $\$107,000 - \$50,000 = \$57,000$ ).

According to the IRS table, the cost of each one thousand dollars of excess is \$.43. The taxable amount is then \$24.51 per month ( $\$.43 \times 57$  {the number of excess thousands} = \$24.51).

Rensselaer is required to withhold FICA tax of 7.65% on that \$24.51, or \$1.88, each month ( $\$24.51 \times 7.65\% = \$1.88$ ). The annual FICA tax is therefore \$22.56 ( $\$1.88 \times 12$  months).

# RENSSELAER

## \$50,000 Life Insurance Limit Form

NAME: \_\_\_\_\_

SOCIAL SECURITY NUMBER: \_\_\_\_\_

### **CHOOSE ONLY ONE:**

**ELECTION TO *LIMIT* LIFE INSURANCE TO \$50,000**

I wish to elect to limit my Rensselaer provided basic life insurance at \$50,000.

I understand that this election is in effect unless I elect to revoke this election during the next January 1 Open Enrollment Period.

**REVOCAION OF LIFE INSURANCE AGREEMENT LIMIT**

I wish to rescind the agreement I filed to cap my Rensselaer provided life insurance at \$50,000.

I understand that my gross income will be increased to reflect the imputed value of my life insurance in excess of \$50,000 and that any applicable Social Security and Medicare tax will be deducted on this imputed value on a monthly basis.

I understand that this revocation is in effect unless I elect to limit this insurance at \$50,000 during the next January 1 Open Enrollment Period.

\_\_\_\_\_  
SIGNATURE OF EMPLOYEE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE OF WITNESS

\_\_\_\_\_  
DATE