

PALOMAR COLLEGE

Human Resource Services

1140 West Mission Road
San Marcos, CA 92069-1487

MEMORANDUM

TO: New Faculty and Staff
FROM: Dr. Lisa Norman, Assistant Superintendent/Vice President Human Resources
SUBJECT: Life Insurance

In March 1992, the Governing Board approved an increase in the life insurance benefit level from \$60,000 to \$80,000. The Internal Revenue Service code states that the value of benefits above \$50,000 must be reported on your W-2 as taxable income.

The "value" is determined by using an IRS table, which is indexed for an individual's age. Using this table, payroll will figure the value of this coverage and add it to your taxable gross wages each month. An example of how this affects individuals at different ages is provided below.

<u>Age</u>	<u>Cost/\$1,000 of Coverage</u>	<u>Value of Coverage</u>	<u>Additional Monthly Taxes (State/Fed/FICA) (28% tax bracket)</u>	
			<u>State/Federal</u>	<u>FICA</u>
25	\$0.06	\$1.80/mth	\$0.50	\$0.14
35	\$0.09	\$2.70/mth	\$0.76	\$0.21
45	\$0.15	\$4.50/mth	\$1.26	\$0.34
55	\$0.43	\$12.90/mth	\$3.61	\$0.99
65	\$1.27	\$38.10/mth	\$10.67	\$2.91

If you are concerned about paying taxes on the value of the excess life insurance (\$30,000), you may designate a charitable organization as beneficiary for either the full benefit amount (\$80,000) or the taxable amount (\$30,000). The full life insurance value would then be exempt from taxed. Qualified organizations include charities such as those identified in the United Way campaign, non-profit, scientific, or religious organizations as well as non-profit educational institutions and their foundation (such as The Palomar College Foundation).

If you wish to designate a non-profit organization for all of your benefit, you may do so on your initial enrollment form. Please make sure that you identify the organization as non-profit. If you have questions about this option, contact the Benefits Specialist in Human Resource Services at extension 2889. If you have any questions regarding the taxable portion of the excess amount of life insurance, contact Payroll Services at extension 2884 or 2138.

- Only PERS members pay full FICA tax.