

What is Imputed Income?

Benefits eligible state employees have group term life insurance coverage which provides an insured death benefit of 150% of the employee's annual rate of compensation. The State of Kansas, as the employer, pays the entire cost of coverage.

"Imputed income" is the value of group term life insurance provided to the employee by the State of Kansas that is in excess of \$50,000. IRS Code Section 79 requires that the cost of coverage in excess of \$50,000 be included in the employee's taxable wages and reported on the W2. Imputed income is subject to Social Security and withholding taxes.

The Division of Accounts & Reports uses the employee's annual base benefits rate (ABBR) in Job Data in the calculation of the imputed income amount for all employees enrolled in a 'GTL' deduction code. A benefits eligible employee whose ABBR is more than \$33,333.33 is subject. Therefore, if the ABBR is incorrect, the imputed income amount may be under- or over-reported as taxable wages on the employee's W2.

The formula to calculate imputed income is:

$$\text{Step 1: } \frac{(\text{ABBR} \times 150\%) - 50,000}{1,000} \times \text{Monthly Premium Rate}^* = A$$

$$\text{Step 2: } \frac{A \times 12}{26} = \text{Imputed Income amount}$$

*The Monthly Premium Rate is established by the Internal Revenue Service and is based on an employee's age as of December 31st of the calendar year.

Annual Benefits Base Rate Field in Job Data

Agencies must manually enter the Annual Benefits Base Rate (ABBR) amount in the field on the Compensation page in Job Data. The ABBR is usually the same as the Annual Rate that displays in the Pay Rates box on the same page. Agencies must manually update the ABBR if the employee's Annual Rate changes. Since this Annual Rate is derived from other data in SHARP, incorrect data entry will cause an incorrect Annual Rate and agencies may enter an incorrect ABBR.

Employees on Multiple Positions

Some employees are actively employed on more than one position but may not be benefits eligible on all of the positions. KPERS regulations require that if an employee has KPERS coverage in one position, all of the positions are considered for imputed income.

However, there are a small group of employees or situations that are exempt from this concept: Legislators (legislative group term life is not calculated on any non-benefits eligible positions), Board Members, Foster Grandparents, National Guard, and Student. Do not enter an amount in the ABBR field for these employees.

Please contact Patti Pearce at 785-296-7232 or email at patti.pearce@da.state.ks.us if you have any questions.