



BENEFITS BULLETIN

FOR HOURLY EMPLOYEES

December 7, 2004

Additional Taxable Income – Group Life Insurance Over \$50,000

Federal law requires that employers report to the Internal Revenue Service (IRS) the "imputed income" of certain employer-paid benefits, including Life Insurance that exceeds \$50,000 and the Survivor Income Benefit. Imputed income represents the value of "in kind" compensation not actually received as wages but having value to the employee. This income is subject to Federal, social security and Medicare (FICA), state, local, and is reportable on an employee's Form W-2. The amount will appear in box 12C for Group Term Life Insurance over \$50,000.

The amount of imputed income related to Group Life Insurance and the Survivor Income Benefit will vary by employee according to the following factors:

- Base hourly rate used to determine the Life Insurance amount
- Marital status used to determine eligibility for the Survivor Income Benefit
- Spouse's age and employee's years of creditable service under the provisions of the Retirement Plan for purposes of the Survivor Income Benefit
- Age of youngest dependent child for purposes of the Survivor Income Benefit

For employees with eligible dependents, imputed income will be based on a combination of the values of the Life Insurance amount and the Survivor Income Benefit. Imputed income for employees without eligible dependents will be based solely on the value of the Life Insurance amount.

If you are an active employee, the taxes due on the amount of your reportable imputed income, if any, will be withheld from your December 5th pay ending check (distributed on December 10th).

Inactive employees who do not receive a payroll check in December 2004 will have imputed income reflected on their 2004 Form W-2 in box 12C for Group Term Life Insurance over \$50,000.

Questions concerning this tax treatment may be directed to the National Employee Services Center at 1-800-248-4444.