Group Term Life

You may choose to pay the premiums on life insurance coverage for your employees. There are many different types of life insurance plans that an employer can provide – Group Term Life, Group Permanent Life, Whole Life, Split Dollar and more.

Group Term Life (GTL) is the only type of life insurance policy for which the IRS offers tax-preferred treatment. Employer-paid premiums on other types of policies are considered taxable benefits to the employee. With group term life, the premiums paid on the first $50,000 of insurance provided by an employer are exempt from all employment taxes provided that the plan is offered on a nondiscriminatory basis. (The requirements for nondiscrimination can be found in the BNA Payroll Library.)

➤ To see a 1 page summary of the following documentation, go to the last page.

Taxation and Reporting

The payroll issue with group term life policies arises when an employer provides coverage to an employee in excess of the $50,000 non-taxable limit. Any premiums paid on coverage in excess of $50,000 are considered taxable income, less any employee after tax payroll deductions, for Federal, State (except Pennsylvania), FICA and local withholding. GTL income is not subject to FUTA or SUI tax (with some exceptions).

It is not mandatory to withhold Federal or State taxes from Premiums paid on GTL in excess of $50,000. However the employee may have to pay taxes when filing their personal return. The income must be included as taxable income on the employee's W-2.

Retired employees are not subject to Social Security and Medicare taxes at the time it is entered into payroll. The employee will be responsible for payment with personal taxes.

Client Responsibility

The client is responsible for determining the value of the insurance benefit that must be included in the employee's taxable income. An employer has until the last pay period of the year to include excess premiums paid in an employee's income, but it may be included throughout the year as well.

Client Deductions

If you require a GTL earning and deduction code, you will need to link the GTL deduction code to a GTL earning code.

Employee Earnings

Setup the GTL earning as you normally do. Then when you are ready to calculate the GTL amount:

❶ Highlight the GTL earning. A **Calculate GTL Premium** button will display.

❷ Click the **Calculate GTL Premium** button.

❸ Enter the total **Policy Amount** and choose an **Earning Frequency**.

❹ An **Employee Paid Deduction Amount** field is displayed if there is an employee deduction that reduces the employees GTL premium amount.

❺ Click the **Calculate** button to calculate the GTL premium amount.

❻ Click **OK** to save the changes.
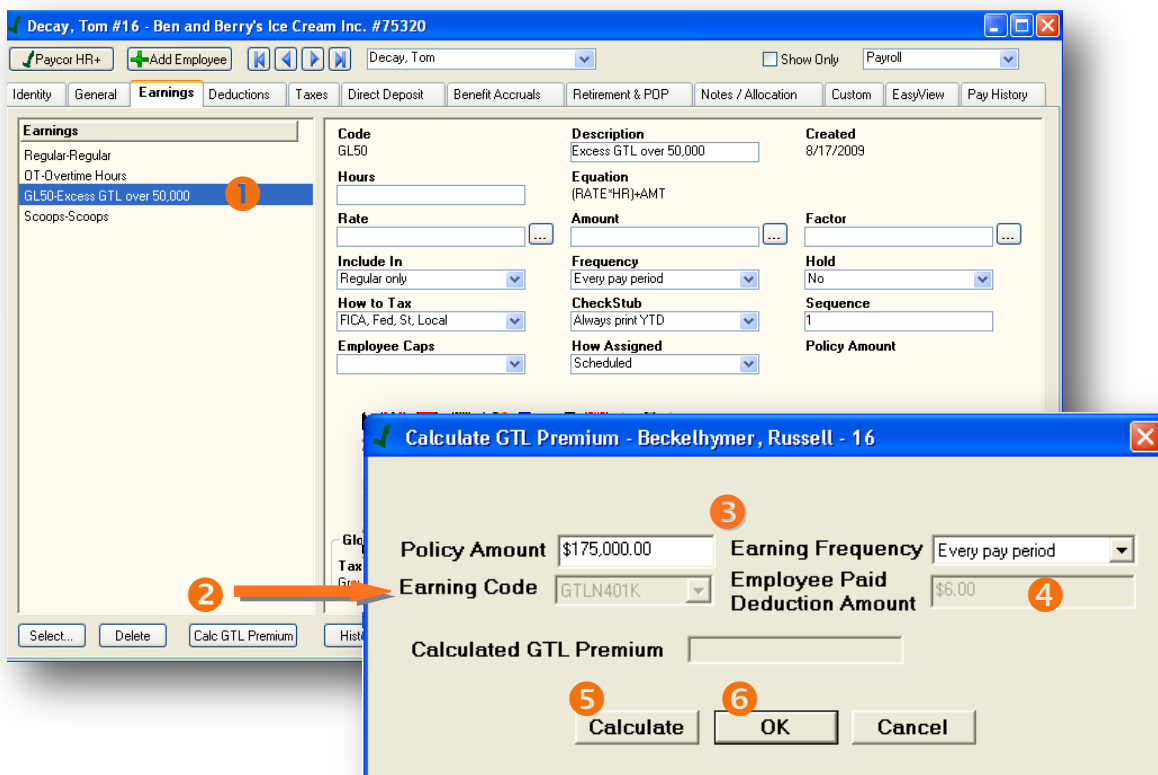
The system will enter the calculated premium in the Amount field. For the GL50 and GTLN401K earning codes, the Amount, Rate, and Factor fields cannot be modified. The Amount field can only be modified through the 'Calculate GTL Premium' button.

Employee Deductions

If an employee chooses to contribute an after tax payment, you can add a GTL deduction code on the Employee Deduction tab.

Add the GTL deduction code up as normal. If the GTL deduction code is linked to a GTL earning code, the GTL calculator will take the Employee deduction amount into consideration and a **Parent Earning** field indicates the earning code the deduction code is linked to.

Note: Remember that you cannot change the frequency on a GTL deduction code if it is linked to a GTL earning.
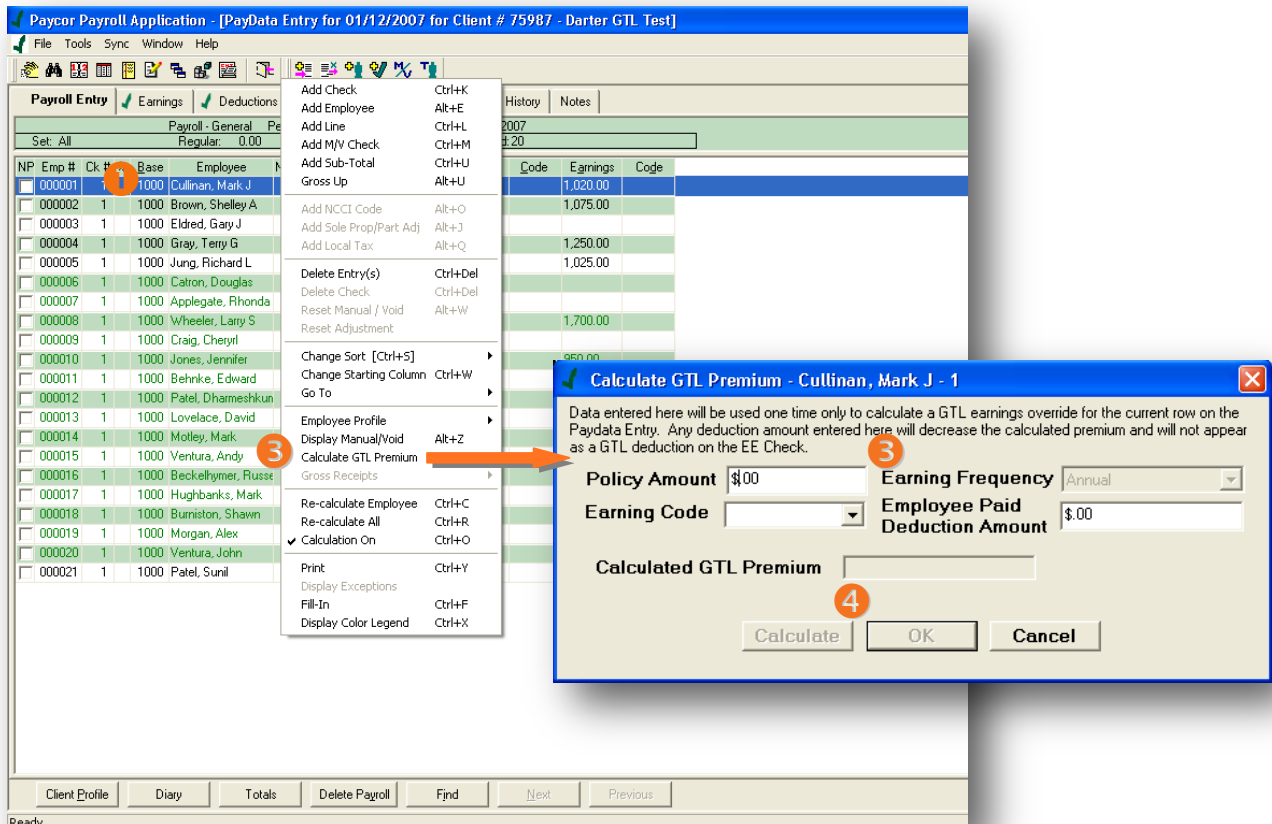

PayData Entry

If the calculator is used, the calculated premium amount will override the current earning amount for just the payroll that is being processed.

To access this calculator:

❶ Right click on the affected employee.

As long as the client has a GTL earning, the following menu screen will appear.

❷ Select the **Calculate GTL Premium** option.

❸ Enter the total policy amount and the employee paid amount, and select an earnings code. If you enter an '**Employee Paid Deduction Amount**', it will only affect the current payroll that you are processing and it will be in addition to any amount entered on the GTL deduction code.

> Note: The '**Earning Frequency**' field is pre-filled with "Annual" and cannot be overridden. The calculated amount, however, can be manually overridden on the PayData Entry tab if you choose to do so.

❹ Press the **Calculate** button to calculate the GTL premium amount.

Press **OK** to leave the calculator and to have the premium amount populated on a new line for the affected employee.

❺ You're done. You can now process the payroll as normal.

Paycor

Group Term Life

Questions to Ask	Answer
What is the Group Term Life policy amount?	**Client Profile** Add the GL50 (GTLN401K code–not to include in 401K) **Employee Profile** Add the code to the employee profile and click on the CALC GTL Premium Add the amount of the Policy to determine the amount that needs to be taxed Click Calculate *(*See the above pages for information on how to calculate the GTL taxable amount for the year in PayData Entry)*
Is the employee terminated?	If <u>YES</u>: You will need to use the Tax offset deduction to offset the taxes. If <u>NO</u>: You can offset the taxes with the employee's last paycheck. *(*See the above pages for information on Retired Employees)*
Which code to use?	GL50NC (GL50NkNC –not to include in 401K) is the code to use when the contact gives you a flat dollar amount and does not want the Paycor application to automatically calculate the amount. *(*See the above pages for information on not including 401k)*
What is GTL taxable for?	GTL is completely taxable and is not exempt from anything. However, you are not required to withhold Federal and State, you are only required to report wages. On the W-2 the amount of GTL entered appears in: • boxes 1, 3, 5, 16, 18 for taxable wages • box 12 code "C" for the reported amount