

Northstar Chapter 2017 Year End Information and Tax Updates

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Year End 2017

- Year End starts January 1st each year.
- Balance each an every payroll.
- In February update your year end checklist.
- Quarterly can be a mini year end.
- Third quarter form a year end team and assign task with due dates.
- Payroll needs to take the lead on the YE team and ask questions to all areas.
- Verify checks and manual checks.
- Verify SSN with the SSA.

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Year End Team Members

- Accounting
 - 1. Auto - Personal usage
 - 2. Outstanding checks
- Accounts Payable
 - 1. Gift Cards
 - 2. Advances not paid back in time
- Benefits
 - 1. GTL
 - 2. Taxable fringe benefit
- Human Resources
 - 1. Bonus/Payouts
 - 2. New deductions for new year
- HRIS/IT
 - 1. December and January payroll processing schedule
- Office Service
 - 1. Mailing out special payroll and W2's
- Payroll

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Quarterly Reconciliation Worksheet						
6417940/W-2/W-3	QTR 1	QTR 2	QTR 3	QTR 4	YTD	
Federal Wages						
FTTW						
SocSec Wages						
SocSec Taxes						
SocSec Tips						
Medicare Wages						
Medicare Taxes						
FUTA Wages						
FUTA Taxes						
W-2 Boxes						
Box 10						
Box 11						
Box 12 Code C						
Box 12 Code D						
Box 12 Code G						
Box 12 Code J						
Box 12 Code P						
Box 12 Code T						
Box 12 Code DD						
Box 14						
State Totals	QTR 1	QTR 2	QTR 3	QTR 4	YTD	
State Wages						
FTTW						
ST Taxes						
SLI Taxes						
Local Wages						
FTTW						
SUTA Wages						
SUTA Taxes						

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Taxable Income

- World wide income and all benefits given to an employee are taxable, unless you can find where it can be excluded from taxation.

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The Principle of Constructive Payment

Actually or Constructively Paid – Wages have been made available to the employee without “substantial limitation or restriction”.

Checks Mailed – Once check is delivered to the employee’s home.

Postdating or backdating checks – Regardless of the date on the check it is based on receiving without “substantial limitation or restriction”.

Why is this important? – Taxes are due based on payment date and W2 information is also based on payment date.

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Taxable and Nontaxable Compensation
IRC 132 exempts certain fringe benefits from inclusion in income.

- ❖ **de minimis fringes**
 - Something so small that accounting for it would be unreasonable or impracticable
 - Occasional
- ❖ **no-additional-cost services**
 - Regular offered to customer
 - No substantial additional cost
 - Does not discriminate
- ❖ **qualified employee discounts**
 - For Services cannot exceed 20%
 - Retail cannot exceed the gross profit
 - Does not discriminate

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Taxable and Nontaxable Compensation
IRC 132 exempts certain fringe benefits from inclusion in income.

- ❖ **on-premises athletic facilities**
 - On ER's premises and operated by ER
 - Only use by EE's (active or temed), spouses and dependent children
 - Not a resort or other residential facility
- ❖ **qualified moving expense**
 - Moving the house hold goods
 - Moving the family members
- ❖ **qualified retirement planning services**
 - Not to include tax preparation, accounting or brokerage services

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Taxable and Nontaxable Compensation
IRC 132 exempts certain fringe benefits from inclusion in income.

- ❖ **qualified transportation benefits**
 - Transit passes, vouchers, tokens or fare cards \$255
 - Parking \$255
 - Bicycle \$20
- ❖ **working condition fringes**
 - Business use of company car or airplane
 - Dues and membership fees
 - Business periodicals
 - Job related education

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Other Employer Provided Benefits

- **Adoption Assistance:** (2017 \$13,570)
- **Advances and Overpayments:** (CY=Net; PY=Gross)
- **Awards and Prizes:** (cash taxable; noncash tangible personal property if given in a meaningful presentation \$1,600 avg \$400)
- **Back Pay Awards:** (most taxable, get legal advice on nontaxable)
- **Cash:** (Taxable)
- **Club Memberships:**
- **Conventions:** (In North American nontaxable all others should be taxable unless you have a business connection)
- **Death Benefits:** (Report on 1099-misc or 1099-R)
- **Dependent Care Assistance Programs:** (must be provide so that the employee can work; must be reported in Box 10 on W-2 and if Box 10 exceeded \$5000 the amount above \$5000 is included in Box 1,3 and 5)
- **Director's Fees:** (Reporting: Employee = W2; Nonemployee = 1099-misc)

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Other Employer Provided Benefits

- **Dismissal Pay**
- **Education Assistance**
- **Business Travel Expense Reimbursements**
- **Employer-Paid Taxes Grossing-Up**
- **Employer-Provided Meals and Lodging**
- **Employer-Provided Vehicles**
- **Equipment Allowances**
- **Gifts**
- **Golden Parachute Payments**
- **Guaranteed Wage Payments**

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Other Employer Provided Benefits

- **Jury Duty Pay**
 1. If employer pays an employee their regular wages in addition to jury duty pay, all the regular wages are subject to all employment taxes.
 2. If employer pays only the difference between regular wages and the jury duty pay, all the regular wages are subject to all employment taxes.
 3. If pays an employee all their regular wages but has the employee turn over their jury duty check, then only the difference is subject to all employment taxes.

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Other Employer Provided Benefits

- *Life Insurance*
- *Loans to Employees*
- *Moving Expenses*
- *Outplacement Services*
- *Retroactive Wage Payments*
- *Tips*
- *Uniform Allowances*
- *Vacation Pay*

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Other Employer Provided Benefits

- **Wages Paid After Death**
 1. *Employee dies before cashing paycheck.*
 - a. *Federal Taxable both taxable and taxes reported on W2*
 - b. *Social Security both taxable and taxes reported on W2*
 - c. *Medicare both taxable and taxes reported on W2*
 2. *Wages paid after employee dies and in the same year.*
 - a. *Federal Taxable reported on 1099-MISC Box 3*
 - b. *Social Security both taxable and taxes reported on W2*
 - c. *Medicare both taxable and taxes reported on W2*
 3. *Wages paid after the year of death.*
 - a. *Federal Taxable reported on 1099-MISC Box 3*
 - b. *Social Security not taxable not reported*
 - c. *Medicare not taxable not reported*

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Current Hot Topics

Listed Property

Cell Phones - Update not on company property list. If your company give your employees an cash allowance without having your employees substantiate the business usage, it is taxable when the employee receive the payment.

Laptops

Employee's working in other states

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Withholding and Reporting Rules for Employer-Provided Benefits

- ❖ *Withholding on Cash Fringe Benefits: Employer must withhold any FIT, FICA and SIT based on constructive payment .*
- ❖ *Withholding and Reporting on Noncash Fringe Benefits: The employer may treat the benefit as being paid on a pay period, quarterly, semiannual, annual, or other basis, but no less frequently than annually and so long as all benefits provided in a calendar year are treated as paid by December 31 of that year.*

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Box-by-Box 2017 Form W-2 Instructions

- **Box a** – Employee's Social Security Number (SSN)
- **Void** – This box should be checked only if the form is incorrect and is being corrected before Copy A has been filed with the SSA
- **Box b** – Employer Identification Number (EIN)
- **Box c** – Employer's Name, Address and Zip Code
- **Box d** – Control Number
- **Box e** – Employee's Name
- **Box f** – Employee's Address and Zip Code

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Box-by-Box 2017 Form W-2 Instructions

- **Box 1** – Wages, tips and other compensation
- **Box 2** – Federal Income Tax Withheld (FITW)
- **Box 3** – Social Security Wages; Not to exceed \$127,200
- **Box 4** – Social Security Tax Withheld max amount \$7,886.40 for 2017
- **Box 5** – Medicare Wages and Tips taxable wages over \$200,000 needs to have an additional .9% withheld from the EE only.
- **Box 6** – Medicare Tax Withheld
- **Box 7** – Social Security Tips; The total of box 3 and 7 should not exceed 127,200
- **Box 8** – Allocated Tips (if EE does not claim 8%)

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Box-by-Box 2017 Form W-2 Instructions

- **Box 9** – Verification Code: Employers participating in the W-2 Verification Code initiative program should enter code. If not leave blank.
- **Box 10** – Dependent Care Benefits: Enter total amount for both FSA Dependent Care and Dependent Care Assistance Plan (Employer Paid). Max amount is \$10,000 any amount reported in Box 10 which exceeds \$5,000 must also be entered in Box 1, 3, and 5.
- **Box 11** – Nonqualified Plans

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Box-by-Box 2017 Form W-2 Instructions

- **Box 12** – List of Codes for Box 12:
 - Code A – Uncollected Social Security or RRTA tax on tips
 - Code B – Uncollected Medicare tax on tips
 - Code C – Cost of Group-Term Life
 - Code D – Section 401k contributions
 - Code E – Section 403b contributions
 - Code F – Section 408k contributions
 - Code G – Section 457 contributions
 - Code H – Section 501 contributions
 - Code I – Not used at this time

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Box-by-Box 2017 Form W-2 Instructions

- **Box 12** –
 - Code J – Nontaxable Sick Pay
 - Code K – 20% excise tax on excess golden parachute payments
 - Code L – Substantiated employee business expense reimbursements
 - Code M – Uncollected Social Security or RRTA tax on cost of group term life insurance coverage over \$50,000
 - Code N – Uncollected Medicare tax on cost of group term life insurance coverage over \$50,000

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Box-by-Box 2017 Form W-2 Instructions

- **Box 12** –
 - Code P** – Excludable reimbursed moving expenses
 - Code Q** – Nontaxable combat pay
 - Code R** – Archer MSA contributions
 - Code S** – SIMPLE retirement account contributions
 - Code T** – Employer-provided adoption benefits
 - Code V** – Income from the exercise of nonstatutory stock options
 - Code W** -- HSA Health Saving Account

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Box-by-Box 2017 Form W-2 Instructions

- **Box 12** –
 - Code Y** – Deferrals under a section 409A nonqualified deferred compensation plan
 - Code Z** – Income under section 409A on a nonqualified deferred compensation plan
 - Code AA** – Designated Roth contributions to a section 401k plan
 - Code BB** – Designated Roth contributions to a section 403b plan
 - Code CC** – not in use

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Box-by-Box 2017 Form W-2 Instructions

- **Box 12** –
 - Code DD** – Cost of employer-sponsored health coverage (non-taxable amount)
 - Code EE** – Designated Roth contributions under a governmental 457(b) (taxable amount and not reported in box 12 code G)
 - Code FF** – Permitted benefits under a qualified small employer HRA QSEHRA (2017 4,950)

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2017 and 2018 Changes
FICA and Supplemental Rates

	2017	2018
Social Security Wage Base	\$127,200.00	\$128,700.00
Tax Rate - ER	6.2%	6.2%
Max Taxes - ER	\$7,886.40	\$7,979.40
Tax Rate - EE	6.2%	6.2%
Max Taxes - EE (2.15%)	\$7,886.40	\$7,979.40
Medicare Wage Base	No Limit	No Limit
Tax Rate	1.45%	1.45%
Max Taxes	No Limit	No Limit
Medicare Wages over \$200,000 additional	.9%	
Estimated SocSec Wage Base:		
	2018	\$130,500
	2019	\$135,600
	2020	\$142,200

SSA - No longer mailing statement to workers.
FIT on supplemental wages 1,000,000 and under is 25% and over 1,000,000 is 39.6%

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2017 and 2018 Changes
Per Diem Rates

	10/1/2016	10/1/2017
Meal & incidental high-cost	\$68	\$68
Meal & incidental low-cost	\$57	\$57
Combined high-cost	\$282	\$284
Combined low-cost	\$189	\$191

Note: The IRS no longer prints Publication 1542 you must go to www.irs.gov/pub/irs-pdf/p1542.pdf and print it for your self.

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2017 and 2018 Changes
Mileage Rates

	2017	2018
Business	\$0.535	_____
Gas	\$0.055	_____
Luxury Car Value	\$15,900	_____
SUV Value	\$17,800	_____
Fleet Value - Luxury Car	\$21,100	_____
Fleet Value - SUV	\$23,300	_____
Charitable Activities	\$0.14	__\$0.14__
Relocation Related	\$0.17	_____
Medical Related	\$0.17	_____

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2017 and 2018 Changes Retirement Plans

	2017	2018
401k	\$18,000	\$18,500
403b public schools	\$18,000	\$18,500
408k SEPs	\$18,000	\$18,500
408p SIMPLE Plans	\$12,500	\$12,500
457 Government	\$18,000	\$18,500
"Catch-up" Contributions:		
401k, 403b, 408k and 457	\$ 6,000	\$6,000
408p	\$ 3,000	\$3,000

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Qualified Benefit Plan

	2017	2018
Maximum annual benefit under 415(b)(1)(A)	\$ 215,000	\$220,000
Maximum contribution for defined contribution plans under 415(c)(1)(A)	\$ 54,000	\$55,000
Limitations for highly compensated employee under 414(q)(1)(B)	\$ 120,000	\$120,000
Annual compensation limit under 401(a)(17) and 404(1); and under 408(k)(3)(C) pertaining to simplified employee pension plans (SEPs)		
Compensation amount	\$ 270,000	\$275,000
Compensation amount collectively bargained	\$ 270,000	\$275,000
Annual compensation limit under 401(a)(17) for eligible participants in certain governmental plans	\$ 400,000	\$
Minimum annual compensation amount under 408(k)(2)(C); SEP	\$ 600	\$ 600

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2017 and 2018 Changes

	2017	2018
Transit Passes	\$255	\$260
Employer- Provided Parking	\$255	\$260
Bicycle Commuting Reimbursement	\$ 20	\$20
Can not be pretax and can not use with other transportation benefits		
Advance Earned Income Credit:		
Maximum Adjusted Gross		
Single	N/A	N/A
Married filing jointly	N/A	N/A
Maximum EIC Payment	\$6,044	\$ _____
Medical Flexible Spending Accounts 2017 cap is \$2,600		
2017 cap is \$2,650		

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2017 and 2018 Changes

Adoption Assistance Programs

	2017	2018
Qualified Expenses Maximum	\$13,570	\$13,840
Phase out begins at	\$203,540	\$207,580
Totally lost at	\$243,540	\$247,580

Note: 1. Adoption assistance is subject to FICA taxes.
 2. Phase out is based on modified adjusted gross.

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State Unemployment Insurance Wage Bases

State	2018	2017	State	2018	2017	State	2018	2017
AL	\$8,000	\$8,000	LA	\$	\$7,700	OK	\$17,600	\$17,700
AK	\$	\$39,800	ME	\$12,000	\$12,000	OR	\$	\$38,400
AZ	\$7,000	\$7,000	MD	\$8,500	\$8,500	PA	\$10,000	\$9,750
AR	\$10,000	\$12,000	MA	\$15,000	\$15,000	PR	\$	\$7,000
CA	\$7,000	\$7,000	MI	\$	\$9,000/9500	RI	\$	\$22,423.9
CO	\$12,600	\$12,500	MN	\$	\$32,000	SC	\$14,000	\$14,000
CT	\$15,000	\$15,000	MS	\$14,000	\$14,000	SD	\$15,000	\$15,000
DC	\$9,000	\$9,000	MO	\$13,000	\$13,000	TN	\$8,000	\$8,000
DE	\$	\$18,500	MT	\$32,000	\$31,400	TX	\$9,000	\$9,000
FL	\$7,000	\$7,000	NE	\$9,000	\$9,000	UT	\$	\$33,100
GA	\$9,500	\$9,500	NV	\$30,500	\$29,500	VT	\$17,600	\$17,300
HI	\$	\$44,000	NH	\$14,000	\$14,000	VA	\$8,000	\$8,000
ID	\$	\$37,800	NJ	\$33,700	\$33,500	WA	\$47,300	\$45,000
IL	\$12,960	\$12,960	NM	\$	\$24,300	WV	\$12,000	\$12,000
IN	\$9,500	\$9,500	NY	\$11,100	10,900	WI	\$14,000	\$14,000
IA	\$29,900	\$28,300	NC	\$	\$23,100	WY	\$24,700	\$25,400
KS	\$14,000	\$14,000	ND	\$	\$35,100			
KY	\$10,200	\$10,200	OH	\$9,500	\$9,000	VI	\$	\$

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The not so good, bad and the ugly of unemployment.

State	Bal Oct 2010	Loan Date	Credit Reduction	State	Bal Oct 2010	Loan Date	Credit Reduction
Alabama	\$ 283,001,164.19	Sep-09	2011	Michigan	\$ 3,814,145,999.11	Sep-06	2009
Arizona	\$ 132,099,933.11	Mar-10	2012	Minnesota	\$ 537,503,559.75	Jul-09	2011
Arkansas	\$ 330,853,383.31	Mar-09	2011	Missouri	\$ 722,116,933.16	Feb-09	2011
California	\$ 8,420,370,633.05	Jan-09	2011	Nevada	\$ 536,631,532.69	Oct-09	2011
Colorado	\$ 319,237,928.37	Jan-10	2012	New Jersey	\$ 1,749,563,533.38	Mar-09	2011
Connecticut	\$ 498,452,705.05	Oct-09	2011	New York	\$ 3,176,873,427.71	Jan-09	2011
Delaware	\$ 15,564,505.48	Mar-10	2012	North Carolina	\$ 2,316,378,054.76	Feb-09	2011
Florida	\$ 1,671,900,000.00	Aug-09	2011	Ohio	\$ 2,314,186,795.00	Jan-09	2011
Georgia	\$ 416,000,000.00	Dec-09	2011	Pennsylvania	\$ 3,008,614,960.83	Mar-09	2011
Idaho	\$ 202,401,700.22	Jun-09	2011	Rhode Island	\$ 225,472,937.00	Mar-09	2011
Illinois	\$ 2,239,582,343.13	Jul-09	2011	South Carolina	\$ 886,662,351.97	Dec-08	2010
Indiana	\$ 1,636,179,132.89	Dec-08	2010	Texas	\$ 1,528,565,794.39	Jul-09	2011
Kansas	\$ 88,159,421.40	Mar-10	2012	Vermont	\$ 32,657,064.94	Mar-10	2012
Kentucky	\$ 795,100,000.00	Jan-09	2011	Virgin Island	\$ 16,124,532.14	Aug-09	2011
Maryland	\$ 133,840,764.71	Feb-10	2012	Virginia	\$ 346,876,000.00	Oct-09	2011
Massachusetts	\$ 387,313,005.04	Feb-10	2012	Wisconsin	\$ 1,424,768,541.29	Feb-09	2011
	\$ 17,769,056,619.95				\$ 22,637,142,022.12		
					\$ 40,406,198,642.07		

New Deadline for Wisconsin Voluntary UI Contributions
 Must be received by November 30 not just postmarked by November 30.

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Federal Unemployment Account State Loan Balances
As of September 23, 2016

Ohio repaid loan on 8-30-16

Only California and Virgin Islands has an outstanding loan.

California	\$3,351,245,818.66	01/2009	2011
Virgin Islands	\$ 69,184,575.68	08/2009	2011
Total	\$3,420,430,394.34		

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Federal Unemployment Account State Loan Balances
As of August 3, 2017

Only California and Virgin Islands has an outstanding loan.

California	\$111,116,529.58	01/2009	2011
Virgin Islands	\$ 65,630,174.15	08/2009	2011
Total	\$176,746,707.73		

2017 FUTA credit reduction if not paid by 11/10/17 will be 2.1%

Additional 2.7% tax may apply in 2017.

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Federal Standard Deduction and Personal Exemption Values

Annual Standard Deduction Amounts

Employee Filing Status	2018	2017
Married, filing jointly or qualified widow(er)	\$13,000	\$12,700
Married, filing separately	\$ 6,500	\$ 6,350
Head of Household	\$ 9,550	\$ 9,350
Single	\$ 6,500	\$ 6,350

Annual Personal Exemptions

2018	\$4,150	2017	\$4,050
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Health Saving Accounts

	2018	2017
High Deductible Health Plan individual annual deductible	\$ 1,350	\$ 1,300
High Deductible Health Plan family annual deductible	\$ 2,700	\$ 2,600
High Deductible Health Plan individual out of pocket limit	\$ 6,650	\$ 6,550
High Deductible Health Plan family out of pocket limit	\$13,300	\$13,100
Maximum Annual contribution individual	\$ 3,450	\$ 3,400
Maximum Annual contribution family	\$ 6,900	\$ 6,750
Maximum Annual catch-up contribution	\$ 1,000	\$ 1,000

Medical Saving Accounts

	2018	2017
High Deductible Health Plan individual annual deductible	\$2,300 - 3,450	\$ 2,250 - \$ 3,350
High Deductible Health Plan family annual deductible	\$4,600 - 6,850	\$ 4,500 - \$6,750
High Deductible Health Plan individual out of pocket limit	\$4,600	\$4,500
High Deductible Health Plan family out of pocket limit	\$8,400	\$8,250

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Income Exclusion for U.S. Citizens Living Abroad

	2018	2017
Maximum Foreign Earned Income Exclusion	\$104,100	\$102,100
Housing Cost Exclusion Limitation <small>(2018 \$104,100 x 30% = \$31,230)</small>	\$31,230	\$30,630
Base Housing Amount <small>(2018 \$104,100 x 16% = \$16,656)</small>	\$16,656	\$16,336
Maximum Foreign Housing Cost <small>(2018 \$31,230 - \$16,656 = \$14,574)</small>	\$14,574	\$14,294

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- ### First Payroll of 2018
- In 2017 Sunday occurs 53 times for an extra payday. In 2018 Monday occurs 53 times.
(Note: January 1 falls on Friday and most employers will move the payday one day earlier which is Thursday)
 - Exempt salaried employee could have their salary adjusted.
 - Deductions may need to be adjusted.
 - Verify tax tables.
 - Check for feasibility for both earnings and deductions.
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Things to start thinking about

Penalties for W-2-c \$30 to \$50; \$60 to \$100 and \$100 to \$260
 ACH Starting September 23, 2016 you can make same day ACH deposits
 California late payment penalty are not wages so they don't go on a W-2
 but a 1099
 Federal Contractors: Paid sick leave – provide up to 56 hours of annual
 sick leave.
 Salary Level Test currently \$455 per week go to \$913 per week annual
 amount of \$47,476 starting December 1, 2016
 W-2 files sent to SSA by January 31.
 Wellness programs payments for attending a fitness club is taxable.

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Things to watch out for (Proposals)

FUTA taxable wage base increase to \$40,000 in 2017, which will make all
 states taxable wage base for SUI at least \$40,000.
 Small employer with more than 10 employees in 2017 auto enroll IRA
 Minimum wage to \$15 by 2020
 Paid Time Off 10 days off per year
 FSA Dependent care and ER dependent care assistance could go to \$7,500
 each for plan years starting after December 21, 2017
 2017 w-2 Draft has changed Box 9 from AEIC to Verification Code. This
 will be used by individual's when filing personal income tax return.
 IRS proposes regulations to allow truncated SSNs on W-2s (2018 W-2s)

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Phone Number and Web Sites

American Payroll Association	www.americanpayroll.org
Las Vegas Office	702 734-6338
San Antonio Office	210 226-4600
Washington, DC Office	202 232-6888
<u>Department of Health and Human Services</u>	www.dhhs.gov
<u>Department of Labor</u>	www.dol.gov
National Wage and Hour Call Center	866 487-2365
<u>EFTPS</u>	www.eftps.gov
<u>IRS Information on Tax Scams and Fraud Schemes</u>	www.treas.gov/irs/ci
Suspected Tax Fraud	800 829-0433
<u>IRS Taxpayer Advocate</u>	www.irs.gov/advocate/index.html
Taxpayer Advocate	877 777-4778

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Phone Number and Web Sites

Internal Revenue Service www.irs.gov

Blank Form Orders (800 Tax Form)	800 829-3676
Fax for Forms	703 487-4160
General Information	800 829-1040
Information Reporting Program Call Site	866 455-7438 or 304 263-8700

New IRS website for Payroll Professionals
www.irs.gov/businesses/small/industries/article/0,,id=185188,00.html

Miscellaneous Sites

	www.paycheckcity.com
	www.payroll-taxes.com
	www.taxsites.com

Social Security Administration www.ssa.gov

Employee Verification Service Hotline	410 965-7140
General Information	800 772-1213
Special Help Line (M-F 7am-7pm ET)	800 772-6270
SSA Fax on Demand	303 844-5023

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Phone Number and Web Sites

U.S. Immigration and Customs Enforcement (USICE) www.ice.gov

Office of Child Support Enforcement www.acf.dhhs.gov/programs/cse

HSA Website for Small Business www.sba.gov/hsa

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Calculating GTL

Example: Beth was born February 18, 1972. Her employer's provides her with coverage equal to 3 x her annual salary as of January 1, in a nondiscriminatory group-term life insurance plan and her salary as of 1-1-17 was \$60,000. Beth contributes \$10 per month in after-tax dollars toward the insurance premiums.

Step 1	$3 \times \$60,000 = \$180,000$
Step 2	$\$180,000 - \$50,000 = \$130,000$
Step 3	$\$130,000 \div \$1,000 = 130$
Step 4	Beth will be 45 years old on 12-31-17
Step 5	$\$.15 \times 130 = \19.50
Step 6	$\$19.50 - \$10.00 = \$9.50$ per month of taxable income in 2017

If Beth did not pay anything for the group-term life insurance, or paid with only pre-tax dollars, the entire \$19.50 would be taxable per month.

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