

Date: April 13, 2007

Code: TECHNICAL LETTER  
HR/Benefits 2007-06

Supersedes: HR/Benefits 1996-18

Supersedes: HR/Benefits 1999-03

To: Human Resources Directors  
Benefits Representatives

From: Gail Brooks  
Associate Vice Chancellor  
Human Resources



Subject: Revised Group Term Life Insurance Imputed Income Table

The Internal Revenue Service (IRS) permits an employer to provide life insurance up to \$50,000, without any tax liability to employees that are eligible for CSU-paid life insurance. Consequently, any amount of employer paid life insurance in excess of \$50,000, has an imputed income tax impact on the employee based on the employee's age.

The IRS requires the State Controller's Office (SCO) to report these amounts each month as additional taxable income. The amount is reported as state and federal income, but Social Security/Medicare taxes are withheld only. Campuses are not involved in the SCO's reporting process.

The following CSU employee groups have CSU-paid life insurance coverage in excess of \$50,000:

| Employee Group                     | Payroll Deduction Code | Coverage Amount      | Amount Subject to Imputed Income Calculation |
|------------------------------------|------------------------|----------------------|--|
| Executives (M98)                   | 250-026                | \$250,000 Life & ADD | \$200,000.00                                 |
| Management Personnel Program (MPP) | 250-020                | \$100,000 Life & ADD | \$50,000.00                                  |

The chart below reflects the amount of imputed income based on age and amount of life insurance coverage per \$1,000 of coverage, as defined under Internal Revenue Code section 79:

| Age of Employee | IRS "Cost" Per \$1,000 of Insurance | MPP Total Monthly Imputed Income | Executives Total Monthly Imputed Income |
|-----------------|-------------------------------------|----------------------------------|---|
| Under 25        | \$0.05                              | \$2.50                           | \$10.00                                 |
| 25 - 29         | \$0.06                              | \$3.00                           | \$12.00                                 |
| 30 - 34         | \$0.08                              | \$4.00                           | \$16.00                                 |
| 35 - 39         | \$0.09                              | \$4.50                           | \$18.00                                 |
| 40 - 44         | \$0.10                              | \$5.00                           | \$20.00                                 |
| 45 - 49         | \$0.15                              | \$7.50                           | \$30.00                                 |
| 50 - 54         | \$0.23                              | \$11.50                          | \$46.00                                 |
| 55 - 59         | \$0.43                              | \$21.50                          | \$86.00                                 |
| 60 - 64         | \$0.66                              | \$33.00                          | \$132.00                                |
| 65 - 69         | \$1.27                              | \$63.50                          | \$254.00                                |
| 70 And Older    | \$2.06                              | \$103.00                         | \$412.00                                |

**Distribution:**

CSU Presidents  
Executive Vice Chancellor and CFO  
Vice Chancellor, Human Resources

Vice Presidents, Administration  
Budget Officers  
Payroll Managers

Please note: the imputed income value is increased effective with the calendar year that the employee's age bracket is scheduled to change, not the birth month of the employee. Therefore, if an employee is scheduled to turn 65 in September 2007, the higher imputed income tax value was applied effective with the December 2006 (January 2007 pay warrant).

To calculate the imputed income, please note the following steps:

1. Subtract \$50,000 from the life insurance coverage amount. For example, \$250,000 - \$50,000 is \$200,000.
2. Divide the result by 1,000 ( $200,000 \div 1000 = 200$ ), then
3. Multiply by the IRS "cost" listed on the table based on the employee's age. For example, a 65 year-old executive employee's imputed income would be calculated as follows:  $200 \times \$1.27 = \$254.00$

MPP and Executive employees who do not want to be assessed the additional tax liability, may opt to waive life insurance coverage over \$50,000. To do so, the employee must sign a completed STD. 698 form (Attachment A) to enroll in deduction code 250-025, which is assigned to Confidential (C99) employees.

Form STD. 698 should not be used for any other purpose, as the CSU's automated life insurance program electronically processes all other life insurance transactions.

The life insurance forms must be received by the State Controller's Office no later than the 10th of each month to process the waiver of extra coverage effective the first of the following month. These forms need to be given priority at the campus in order to avoid inappropriate taxation which may not be reversible.

Please also note that if an employee who has waived coverage moves between qualifying management and faculty positions, the management waiver of extra coverage must be reprocessed each time the employee is reappointed to the management position. If the campus fails to submit a new form placing the employee in payroll code 250-025, the extra coverage will automatically be reflected and the additional imputed income will be reported and taxed.

Questions regarding this Technical Letter may be directed to Human Resources Administration at (562) 951-4411. This Technical Letter is also available on the Human Resources Administration's Web site at: <http://www.calstate.edu/HRAdm/memos.shtml>.

GB/mh

**LIFE INSURANCE ENROLLMENT**

STD. 698 (REV. 3-97)

PLEASE TYPE OR USE BALL POINT PEN, PRINT CLEARLY-SEND COMPLETED FORM TO PERSONNEL/PAYROLL OFFICE

**SECTION A****SEE PRIVACY NOTICE ON REVERSE OF EMPLOYEE COPY**

|                               |  |                                  |  |  |                       |
|-------------------------------|--|----------------------------------|--|--|-----------------------|
| 1. TYPE OF ACTION (CHECK ONE) |  | 2. SOCIAL SECURITY NUMBER        | 3. NAME IN FULL<br>FIRST MIDDLE LAST                               |  |                       |
| 1.                            | <input type="checkbox"/> NEW—ENROLLING IN A PLAN FOR THE FIRST TIME<br>(COMPLETE SECTIONS A, B, AND D) | 4. DATE OF BIRTH<br>MO. DAY YEAR | 5. MARITAL STATUS<br>MARRIED SINGLE                                |  | 6. SEX<br>MALE FEMALE |
| 2.                            | <input type="checkbox"/> CANCEL—CANCELLING PLAN<br>(COMPLETE SECTIONS A, C, AND D)                     |                                  | 7. MAILING ADDRESS<br>NUMBER AND STREET CITY COUNTY STATE ZIP CODE |  |                       |
| 3.                            | <input type="checkbox"/> CHANGE—CHANGING PLANS<br>(COMPLETE SECTIONS A, B, C, AND D)                   |                                  |  |  |                       |

**SECTION B (DO NOT COMPLETE THIS SECTION IF THE CANCEL BOX IN SECTION A IS CHECKED)**

1. Name of life insurance plan

**SECTION C**

1. Name of life insurance plan being cancelled or changed

**SECTION D**

1. CHECK APPROPRIATE BOX

- a.  I do not wish to enroll in a life insurance plan
- b.  I elect to enroll in (or change to) a life insurance plan as shown above and authorize deductions to be made from my salary to cover my share of the cost of enrollment as it is now or as it may be in the future.
- c.  I elect to cancel the life insurance plan above.

2. EMPLOYEE'S SIGNATURE

3. DATE SIGNED

**SECTION E (FOR AGENCY USE ONLY)**

|   |   |                           |                                    |  |  |  |
|---|---|---------------------------|------------------------------------|--|--|--|
| 1. EMPLOYER DED. CODE<br><input type="checkbox"/> NON-CSU 200<br><input type="checkbox"/> CSU 250 | 2. LIFE INSURANCE PLAN CODE ORG. CODE   | 3. (LEAVE BLANK)          | 4. EMPLOYEE DEDUCTION AMOUNT<br>\$ | 5. STATE SHARE AMOUNT<br>\$  | 6. TOTAL PREMIUM AMOUNT<br>\$  | 7. EMPLOYEE CBID                                     |
| 8. EFFECTIVE DATE OF ACTION   | 9. PERMITTING EVENT DATE<br>MO. DAY YR. | 10. PERMITTING EVENT CODE | 11. AGENCY CODE                    | 12. UNIT CODE  | 13. CHECK IF PERMANENT INTERMITTENT EMPLOYEE<br><input type="checkbox"/> | 14. AGENCY NAME                                      |
| 15. REMARKS   |   |                           |                                    | 16. AUTHORIZED AGENCY SIGNATURE<br>I hereby certify under penalty of perjury as follows: That I am the duly appointed, qualified and acting officer of the herein named agency and that I am authorized to make this certification; that the employee named herein is eligible for enrollment in the State life insurance program. |  | 18. DATE RECEIVED IN EMPLOYING OFFICE<br>MO. DAY YR. |
|   |   |                           |                                    | 17. TELEPHONE NUMBER<br>(Indicate if ATSS or give area code)   |  |  |

WHITE—To Controller  
YELLOW—To CarrierPINK—To Agency  
GREEN—To Employee