



567 West Lake Street

Chicago, Illinois 60661-1498

**TEL** 312 681-2225, opt. 3

**FAX** 312-275-8722

**EMAIL** [Benefits@transitchicago.com](mailto:Benefits@transitchicago.com)

## TAX CHANGES FOR LIFE INSURANCE IN 2019

In order to comply with IRS tax regulations, CTA must make the following changes in 2019, effective with your first paycheck in 2019. These changes are briefly summarized below:

### Your Life Insurance Benefit Paid for by CTA

Every full time, permanent employee has a life insurance benefit paid for by CTA in an amount equal to 2080 times the active employee's hourly wage as of January 1.

Effective January 1, 2019 and in compliance with Section 79 of the Internal Revenue Code, the CTA will treat life insurance coverage in excess of \$50,000 as employee imputed income.

While income taxes on this imputed income will not be deducted from your paychecks, the amount of imputed income will be shown in the earnings section of your payslip and on your 2019 W-2 issued in 2020. Social Security and Medicare taxes will be deducted from your paycheck on the amount of imputed income for that check. See the next page for examples.

For those who have only \$50,000 in life insurance, there will be no change. For those who have over \$50,000 the small increase in imputed income will result in slight increases in the Social Security and Medicare taxes deducted from your paycheck. You can use the attached work sheet to calculate the effect of this change.

A few examples on calculating the amount of imputed income and the resulting deductions are shown below:

- Mary is 55 and earns \$50,000 per year.  
**Answer:** Mary's imputed income is \$0 because income is imputed only on a Coverage Amount in excess of \$50,000. Mary will have \$0 in additional Social Security and Medicare taxes deducted from her paycheck.
- John will turn 40 in December of tax year 2019 and earns \$125,000 per year.  
**Answer:** John's imputed income for his life insurance benefit is \$3.45 per check. John will have \$0.21 per paycheck deducted for Social Security (6.2% of the imputed income) and \$0.05 per paycheck for Medicare (1.45% of the imputed income).



To summarize, effective January 1, 2019, CTA plans to:

- (a) Begin withholding Social Security and Medicare due on the imputed income from affected employees' regular paychecks; and
- (b) Include the imputed income based on basic life insurance coverage in excess of \$50,000 on the 2019 and subsequent W-2 forms of affected employees.

**Employee-Purchased Supplemental Life Insurance**

Full time permanent employees have been allowed to purchase supplemental life insurance on a pre-tax basis through payroll deductions. Effective January 1, 2019, for those employees who choose to purchase supplemental life insurance, CTA will begin deducting the premium payments for supplemental life insurance on a post-tax basis.

**Please note that the rates and the premiums you pay for supplemental insurance are not changing or increasing.** However, in 2019, your premium payments for this supplemental life insurance will be made on a post-tax basis instead of a pre-tax basis.

If you wish to cancel or adjust the amount of supplemental life insurance as a result of this change, you may do so by contacting Benefit Services at 312-681-2225, press 3, and speaking with a Benefits Coordinator, or following the instructions on the Changes to Supplemental Life Insurance form found at [www.transitchicago.com/HRBenefits](http://www.transitchicago.com/HRBenefits).

If you are not currently enrolled in Employee-Purchased Supplemental Life Insurance, you can enroll at any time. You are not restricted to the open enrollment period. However, you must provide evidence of insurability and be approved by CTA's life insurance vendor. Enrollment and cost information is available at [transitchicago.com/hrbenefits](http://transitchicago.com/hrbenefits).

**Note, should you decide to cancel or change coverage, you may be required to provide evidence of insurability should you wish to reinstate coverage at a future date.**



**Worksheet: Figuring the Cost of Group-Term Life Insurance Imputed Income**

1. Enter the amount of your basic insurance coverage from CTA	1.
2. Limit on employer-provided group-term life insurance coverage	2. 50,000
3. Subtract line 2 from line 1	3.
4. Divide line 3 by \$1,000.	4.
5. <b>Go to Table Below.</b> Using your age on the last day of the tax year, find your age group in the left column, and enter the cost from the column on the right for your age group	5.
6. Multiply line 4 by line 5	6.
7. Enter the number of full months of coverage at this cost	7.
8. Multiply line 6 by line 7 <b>This is the amount of your Imputed Income for the year.</b>	8.
Multiply line 8 by 0.0765	
9. <b>This is the amount of your additional Social Security and Medicare deductions for the year.</b>	9.

**IRS Premium Table**

Age	Cost
Under 25	.05
25 through 29	.06
30 through 34	.08
35 through 39	.09
40 through 44	.10
45 through 49	.15
50 through 54	.23
55 through 59	.43
60 through 64	.66
65 through 69	1.27
70 and older	2.06