

# IMPUTED INCOME

## ***What is imputed income and how should it be reported for clergy?***

Section 79 of the Internal Revenue Code (IRC) requires that employers calculate imputed income for employees who receive group term life insurance coverage in excess of \$50,000. Active clergy who qualify for group term life insurance coverage in excess of \$50,000 are required to pay taxes on the value of that insurance coverage in excess of \$50,000 and, the employer is required to report this imputed income on the cleric's Form W-2 each year.

The value of group term life insurance provided by one or more employers is considered taxable income in the current year to the extent the insurance coverage exceeds \$50,000. The Church Pension Fund provides group term life insurance coverage for all eligible clergy active in the Clergy Pension Plan. That coverage is based on four times Total Compensation (as reported to the Church Pension Fund) up to a maximum of \$100,000, rounded to the nearest \$500. Retired clergy group term life insurance coverage is based on four times HAC (Highest Average Compensation as determined by the Church Pension Fund) up to a maximum of \$50,000, rounded to the nearest \$500.

Active lay employees under the age of 72 participating in the Episcopal Church Lay Employee' Defined Benefit Retirement Plan are provided coverage up to \$50,000 (two times salary with a maximum of \$50,000, rounded to the nearest \$500). Active clergy and retired clergy, who receive additional group term life insurance from a diocese, church, or other employer, may have an additional income tax liability each year. Contrary to popular belief, this tax liability is not based on the actual cost of the group term life insurance. The Internal Revenue Code ("IRC") includes a table that must be used to determine the value of this benefit.

*You should receive an imputed income letter from the diocese near the end of each year. If you have not received your letter for this year, please contact the Diocesan CFO at 828-575-5257.*