



Roland W. Burris

Comptroller
State of Illinois

201 State House
Springfield, Illinois 62706
217/782-6000

August 3, 1989

PAYROLL BULLETIN
(6-89)

TO: All State Agencies, Departments, Boards, Commissions and Universities

RE: (1) Group Insurance Attributed Income - Vouchering and Refund
Procedures

(2) Flexible Spending - Refund Procedure

Internal Revenue Service regulations require that an employee who receives employer provided group-term life insurance coverage in excess of \$50,000 will be subject to income tax on the cost of the insurance for coverage over \$50,000 for all or part of the year. In order to implement these regulations, the cost of group-term life insurance coverage over \$50,000 must be added to the employee's gross income, in the manner provided in this Bulletin. The taxable "cost" to be added to the employee's gross income is not the actual premium cost charged by the insurance company, but is a "cost" determined by the IRS. The current IRS determined costs for group-term life insurance is set forth in the following table:

If the age of the
employee on the
last day of his
tax year is: _____

The cost per \$1M of
protection for a one-
month period, if the
employee is paid: _____

	MONTHLY	SEMI-MONTHLY	BI-WEEKLY
Under 30.....	\$0.080	\$.040	\$.037
30 to 34.....	.090	.045	.042
35 to 39.....	.110	.055	.051
40 to 44.....	.170	.085	.078
45 to 49.....	.290	.150	.134
50 to 54.....	.480	.240	.222
55 to 59.....	.750	.375	.346
60 or older.....	1.170	.585	.540

In determining the amount of premium costs that must be included in an employee's income, the crucial amount is the sum of the proceeds that would be payable upon his death. If this amount is \$50,000 or less during the entire year, there is no taxable premium. If this amount exceeds \$50,000 for all or part of the year, the employee will be taxed on the excess, less any part paid by the employee.

Example 1: A state employee, paid semi-monthly, has a salary of \$30,000 for the entire year of 1990 (December 16-31, 1989 through December 15, 1990), with no optional life insurance. From the period December 16, 1989 through June 30, 1990 there is \$22,500 of coverage (75% of annual salary) and \$30,000 of coverage (100% of annual salary) for the balance of the year. Since at no time during the year did the employee have over \$50,000 of coverage, there is no taxable amount.

Example 2: As in the above example, the employee has a salary of \$30,000 for the entire year but also purchased optional State group-term life insurance amounting to 4 times the amount of the basic state paid group-term life insurance. In this instance, during the period from December 16, 1989 through June 30, 1990, state sponsored group-term life insurance coverage totals \$112,500 and for the balance of the year ending December 15, 1990 there is \$150,000 of state sponsored life insurance coverage. The taxable coverage would be calculated as follows:

Period Ending 6/30/90 \$112,500 - \$50,000 = \$ 62,500 taxable coverage.
Period Ending 12/15/90 \$150,000 - \$50,000 = \$100,000 taxable coverage.

Assume the employee is 35 years old and the amount paid (through payroll deduction) for optional State group-term life insurance is \$3.15 per pay period through 6/30/90 and \$4.20 per pay period through 12/15/90. The taxable amount for each semi-monthly pay period would be calculated in the following manner:

<u>Pay Period Ending</u>	<u>Taxable Coverage</u>	<u>FROM IRS Table</u>	<u>Employee Paid*</u>	<u>Amount To Be Included as Income Per Semi-Monthly Pay Period</u>
6-30-90	\$ 62,500 ÷ 1,000 x \$.055	-	\$3.15	= \$0.29
12-15-90	\$100,000 ÷ 1,000 x \$.055	-	\$4.20	= \$1.30

This procedure is effective with any pay period ending after June 30, 1989.

*This amount is only for the employee's State group-term life insurance and should not include any premiums for accidental death and disability (AD&D), spouse or child coverage or any other life insurance coverages which the employee has selected.

PAYROLL VOUCHER PROCEDURE

Any Group Insurance Attributed Income should be placed in box 84 of the payroll voucher. The magnetic tape positions are 87 through 92 S9(4)V99. This income is subject to Federal and State income taxes, FICA/Medicare, and State Employees' and State Universities Retirement System contributions. It is not subject to Judges, General Assembly or Teachers' Retirement System contributions.

SALARY REFUND PROCEDURE
GROUP INSURANCE ATTRIBUTED INCOME

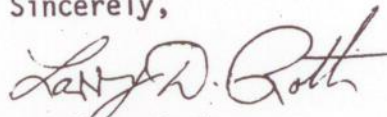
Refunds, which include Group Insurance Attributed Income, must identify this income on line 33 of the Salary Refund Form C-65. The form C-65 will be revised to reflect this change. Please note from the attached exhibit the format to be used.

SALARY REFUND PROCEDURE
FLEXIBLE SPENDING

Effective immediately, salary refunds involving Flexible Spending must identify these amounts by Medical Care Assistance Plan (MCAP) and/or Dependent Care Assistance Plan (DCAP). MCAP refunds should be shown on line 23 of the Salary Refund Form C-65. DCAP refunds should be shown on line 25 of the Salary Refund Form C-65. Please note from the attached exhibit the format to be used. The Salary Refund Form C-65 will be revised to reflect these changes.

Any questions regarding this payroll bulletin should be referred to Dan Steven or Nancy Smith at (217) 782-4758.

Sincerely,



Larry D. Roth
Director - State Accounting

Salary Refund Report To The Comptroller

Instructions For Completing
This Form Are On The Back
Of Copy 7.

Distribution 1. White-Returned to Comptroller 2. Blue-Treasurer-Banking Division 3. Buff-Treasurer-Warrant Division 4. Pink-Returned to Agency 5. Canary-Retained by Comptroller 6. Green-Retained by Comptroller 7. Goldenrod-Retained by Agency	Agency	Transmittal No. _____	
	Division	Transmittal Date _____	
	Address	Deposit Instrument Identification	
		Type	Number

1. Social Security Number _____	2. Pay Code _____	3. Name of Employee (Last, First, Middle) _____	4. Last Day Employed _____
5. Original Warrant Number _____	6. Trace Number _____	7. Issue Date _____	8. Voucher Number _____
9. Original Pay Period _____		10. Appropriation Account Code Paid From _____	11. Fiscal Year _____
12. Detail Object _____		13. Gross to be Credited _____	

14. Original Gross \$ _____ 15. Net Amount To Be Credited \$ _____ 16. FICA or Medicare Gross \$ _____ <b style="text-align: center;">Deductions Refunded 17. Federal Income Tax \$ _____ 18. FICA or Medicare \$ _____ Code _____ 18a. 19. State Income Tax \$ _____ State Code _____ 19a. 20. Retirement \$ _____ Code _____ 20a. 21. Deferred Compensation \$ _____ 22. Tax Sheltered Annuity \$ _____ 23. Flexible Spending (MCAP) \$ XX.XX _____ 24. All Other Deductions \$ _____ 25. Flex. Spend. (DCAP) \$ XX.XX _____ 26. _____ \$ _____	<b style="text-align: center;">Other 27. Non Taxable Benefits \$ _____ 28. Other Compensation Subject to Withholding \$ _____ 29. Earned Income Credit \$ _____ 30. Maintenance \$ _____ 31. Non Taxable Income \$ _____ 32. Other Compensation Grp. Ins. Att. Income \$ XX.XX _____ 33. _____ \$ _____ 34. _____ \$ _____ 35. _____ \$ _____ 36. _____ \$ _____ 37. _____ \$ _____ 38. _____ \$ _____ 39. Gross To Be Credited \$ _____
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40. Authorized Signature _____	Title _____	Date _____
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FOR COMPTROLLER — STATE TREASURER USE ONLY

**COMPTROLLER DEPOSIT ORDER
TO THE TREASURER OF THE STATE OF ILLINOIS**

Comptroller's Use		
OC	A	F
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Received of _____	Date _____ Order No. _____
_____	Fund Name _____
_____	_____ Fund Number _____
Countersigned - State Treasurer	Comptroller, State of Illinois



Roland W. Burris

Comptroller
State of Illinois

201 State House
Springfield, Illinois 62706
217/782-6000

August 4, 1989

PAYROLL BULLETIN
(6-89 correction)

TO: All State Agencies, Departments, Boards, Commissions
and Universities

SUBJECT: Correction to Payroll Bulletin 6-89 dated August 3, 1989

Please make the following correction to the table of IRS determined costs on page 1 of Payroll Bulletin 6-89. The semi-monthly cost for age group 45 to 49 should read \$.145.

Questions regarding this correction should be referred to Dan Steven or Nancy Smith at (217) 782-4758.

Sincerely,

A handwritten signature in cursive script that reads "Larry D. Roth".

Larry D. Roth
Director - State Accounting