Imputed Income

What is imputed income?

Imputed income is the term for the taxable amount an employee will be assessed for some employer-paid benefits. It applies to any benefit or service considered a fringe benefit of employment by the IRS. Any fringe benefits may increase your taxable income. The following CU provided coverage is subject to imputed income:

1. Medical and dental insurance coverage for same-gender domestic partners (SGDP) and their children
2. Employer-paid Basic Life insurance over $50,000

Medical and Dental benefits

When does imputed income apply?

CU contributes the same amount to medical and dental insurance premiums for same-gender domestic partners (SGDP) and/or the children of that partner as they do for a spouse and/or a spouse's children. However, the IRS requires that an employee who enrolls a SGDP and/or his/her partner's children be assessed imputed income.

The imputed income assessed represents the difference between the CU contribution for employee-only and employee + spouse/family coverage.

How can I not incur imputed income tax when adding a SGDP to coverage?

If your SGDP or same-gender civil union partner is considered a qualified dependent for health coverage purposes, complete and submit the SGDP Tax Certification of Dependency for Tax Treatment of Medical Benefits. Please review the requirements for a "qualifying relative" and "qualifying child" before submitting this document.

What is the amount of imputed income that I will pay each pay period?

You are taxed on the difference between what CU contributes for employee-only coverage and employee + spouse/family coverage. The difference between these rates is reported as income and is taxed at the same rate as regular earnings.

Can I enroll in a health care flexible spending account (HCFSA) or dependent care flexible spending account (DCFSA)?

The HCFSA and DCFSA plans can only be used to pay for eligible expenses by you or your federal tax dependents. If a SGDP or same-gender civil union partner or his/her children are not considered your federal tax dependents, they are not eligible to incur expenses under the HCFSA or DCFSA with your employee plan.

Life insurance

When does imputed income apply?

The IRS requires you to be taxed on the value of any employer-provided group term life insurance in excess of $50,000 based on a graduated rate table provided by the IRS. The amount of life insurance coverage above $50,000 is multiplied by a premium rate based on an employee's age at the end of the calendar year, which results in a monthly amount of imputed income. This imputed income, reduced by the amount the employee paid toward the insurance, is taxable as a benefit and is, therefore, added to the employee's applicable wage base for federal income tax, Social Security tax and Medicare tax purposes. The employee must pay taxes for the “value” of the excess benefits.

How does this apply to CU?

University staff and faculty are subject to imputed income on the Basic Life Insurance amount that exceeds $50,000. As CU Basic Life Insurance coverage is provided in the amount of $57,000, $7,000 is subject to imputed income.