

Tax Comparisons - Group Life Insurance Program

This presentation Consists of Three Exhibits Attached.

Exhibit One: Taxable Premium Calculations:

The first two columns are the tax tables provided by the IRS. The second two columns are a sample calculation of the portion of the premium that would be considered taxable based on the assumptions noted in the foot notes A & B.

My understanding of the tax code based on the research of the code and specific regulations. Note that the taxable portion is determined separately for each individual covered under the group policy starting with the employee

The regulations provide that the ages of the person are determined as of the last day of the employee's taxable year. (Calendar Year)

Exhibit Two: Income Basis

This exhibit details the income assumptions used to calculate the final tax calculations presented in Exhibit 3. The exhibit is prepared for ministers and non ministerial employees as the tax consequences are different. Note that we have used the same gross salaries for both, but have taken into account the parsonage deduction for the minister. When Itemized deductions are taken into account the same amount is used for each taxpayer.

Exhibit Three: Summary of Tax Calculations

The tax calculations were done using the standard deduction and again using itemized deductions. The tax calculations take into account that the minister pays the full 15.3% of the self employment tax and the non-minister pays only half that amount. All taxpayers can use the standard deduction method so this is the most straight forward method.

Taxpayers who own their own homes with a mortgage and property taxes and who pay tithe will most likely itemize. The figure used in this example for itemized deductions was averaged by looking at a sample of tax returns professionally prepared by several CPA firms. For comparative purposes the same amount was used for all taxpayers.

The sample calculations also include a state tax calculation for Maryland. There are no two states with the same tax laws and there are a number of states that have no income tax. This was done as a reminder that there will be a state tax consequence in most of the cases.

No two taxpayers have identical tax returns. The results will be different for every taxpayer. These are for estimating purposes only and you must consult your tax return preparer, if you have a professional return prepared, or do the calculations yourself if you prepare your own tax return.

Group Term Life Insurance

Taxable Premium Calculations

December 2004

Assumption - \$100,000 Employee Coverage &
\$50,000 Spouse & \$10,000 Dependent Coverage

Age Factor	IRS Table Rates Per \$1,000 Per Month	Amount Included As Taxable Per Year Excess Of \$50,000 (Note A)	Amount Included As Taxable Per Year Excess Of \$50,000 (Note B)	Amount Included As Taxable Per Year Excess Of \$50,000 (Note C)	Amount Included As Taxable Per Year Excess Of \$50,000 (Note D)
Under 25	\$0.05	\$66.00	\$60.00	\$30.00	\$42.00
25 through 29	\$0.06	\$78.00	\$72.00	\$36.00	\$49.20
30 through 34	\$0.08	\$102.00	\$96.00	\$48.00	\$63.60
35 through 39	\$0.09	\$114.00	\$108.00	\$54.00	\$70.80
40 through 44	\$0.10	\$126.00	\$120.00	\$60.00	\$78.00
45 through 49	\$0.15	\$186.00	\$180.00	\$90.00	\$114.00
50 through 54	\$0.23	\$282.00	\$276.00	\$138.00	\$171.60
55 through 59	\$0.43	\$522.00	\$516.00	\$258.00	\$315.60
60 through 64	\$0.66	\$798.00	\$792.00	\$396.00	\$481.20
65 through 69	\$1.27	\$1,530.00	\$1,524.00	\$762.00	\$920.40
70 and above	\$2.06	\$2,478.00	\$2,472.00	\$1,236.00	\$1,489.20

Note A -- This assumption is for Employee & Spouse of same age bracket & 1 child under age 25. Imputed \$110,000

Note B -- This assumption is for Employee & Spouse of same age bracket Imputed Income \$100,000

Note C -- This assumption is for Employee only. Imputed Income \$50,000

Note D -- This assumption is for Employee and one dependent child. Imputed income \$60,000

Life Insurance Tax Calculations - Income Assumptions

Employee	Salary	Parsonage	Taxable FIT	Taxable SE Tax
Minister	\$50,000	\$30,000	\$20,000	\$50,000
Spouse	\$35,000	\$0	\$35,000	
Total Income	\$85,000	\$30,000	\$55,000	

Employee	Salary	Parsonage	Taxable FIT	Taxable SS Tax
Non Minister	\$50,000	\$0	\$50,000	\$50,000
Spouse	\$35,000	\$0	\$35,000	
Total Income	\$85,000	\$0	\$85,000	

Life Insurance Tax Calculations - Deduction Assumptions

Itemized Deductions \$25,000
 Same for Minister as Non Minister

Standard Deduction
 Same for Minister as Non Minister as specified in tax code.
 Age related - Increased for Age 65 and over.

Personal Exemptions - Each person on return \$3,050
 Same for Minister as Non Minister

Summary of Tax Calculations - Employer Paid Life Program

	Standard Minister	Deduction Non-Minister	Itemized Minister	Deduction Non-Minister
Age 70				
Before Life Insurance				
Gross Salary	\$85,000	\$85,000	\$85,000	\$85,000
Fed Tax Before Life Ins.	\$11,004	\$13,564	\$8,964	\$10,756
Maryland Tax	\$2,895	\$5,477	\$1,855	\$4,245
Take Home Income	\$71,101	\$65,959	\$74,181	\$69,999
Additional Tax On Life Ins. **				
Federal Income Taxes	\$759	\$883	\$759	\$613
Maryland Income Taxes	\$192	\$208	\$192	\$208
Total Additional Tax	\$951	\$1,091	\$951	\$821
Net Take Home Income	\$70,150	\$64,868	\$73,230	\$69,178

** Estimated taxable premium of \$2,719.

Summary of Tax Calculations - Employer Paid Life Program

	Standard Minister	Deduction Non-Minister	Itemized Minister	Deduction Non-Minister
Age 65				
Before Life Insurance				
Gross Salary	\$85,000	\$85,000	\$85,000	\$85,000
Fed Tax Before Life Ins.	\$11,004	\$13,564	\$8,964	\$10,756
Maryland Tax	\$2,895	\$5,385	\$1,663	\$4,245
Take Home Income	\$71,101	\$66,051	\$74,373	\$69,999
Additional Tax On Life Ins. **				
Federal Income Taxes	\$469	\$523	\$469	\$363
Maryland Income Taxes	\$119	\$123	\$119	\$123
Total Additional Tax	\$588	\$646	\$588	\$486
Net Take Home Income	\$70,513	\$65,405	\$73,785	\$69,513

** Estimated taxable premium of \$1,676.

Summary of Tax Calculations - Employer Paid Life Program

	Standard Minister	Deduction Non-Minister	Itemized Minister	Deduction Non-Minister
Age 60				
Before Life Insurance				
Gross Salary	\$85,000	\$85,000	\$85,000	\$85,000
Fed Tax Before Life Ins.	\$11,289	\$14,039	\$8,964	\$10,756
Maryland Tax	\$3,049	\$5,539	\$1,817	\$4,307
Take Home Income	\$70,662	\$65,422	\$74,219	\$69,937
Additional Tax On Life Ins.				
Federal Income Taxes	\$243	\$279	\$243	\$195
Maryland Income Taxes	\$62	\$66	\$62	\$66
Total Additional Tax	\$305	\$345	\$305	\$261
Net Take Home Income	\$70,357	\$65,077	\$73,914	\$69,676
** Estimated taxable premium of \$871.				

Summary of Tax Calculations - Employer Paid Life Program

	Standard Minister	Deduction Non-Minister	Itemized Minister	Deduction Non-Minister
Age 55				
Before Life Insurance				
Gross Salary	\$85,000	\$85,000	\$85,000	\$85,000
Fed Tax Before Life Ins.	\$11,289	\$14,039	\$8,964	\$10,756
Maryland Tax	\$3,049	\$5,539	\$1,817	\$4,307
Take Home Income	\$70,662	\$65,422	\$74,219	\$69,937
Additional Tax On Life Ins. **				
Federal Income Taxes	\$155	\$180	\$155	\$126
Maryland Income Taxes	\$38	\$42	\$38	\$42
Total Additional Tax	\$193	\$222	\$193	\$168
Net Take Home Income	\$70,469	\$65,200	\$74,026	\$69,769
** Estimated taxable premium of \$568.				

Summary of Tax Calculations - Employer Paid Life Program

	Standard Deduction		Itemized Deduction	
	Minister	Non-Minister	Minister	Non-Minister
Age 50				
Before Life Insurance				
Gross Salary	\$85,000	\$85,000	\$85,000	\$85,000
Fed Tax Before Life Ins.	\$11,289	\$14,039	\$8,964	\$10,756
Maryland Tax	\$3,049	\$5,539	\$1,817	\$4,307
Take Home Income	<u>\$70,662</u>	<u>\$65,422</u>	<u>\$74,219</u>	<u>\$69,937</u>
Additional Tax On Life Ins.				
Federal Income Taxes	\$88	\$98	\$88	\$68
Maryland Income Taxes	\$22	\$23	\$22	\$23
Total Additional Tax	<u>\$110</u>	<u>\$121</u>	<u>\$110</u>	<u>\$91</u>
Net Take Home Income	<u>\$70,552</u>	<u>\$65,301</u>	<u>\$74,109</u>	<u>\$69,846</u>
** Estimated taxable premium of \$304.				