

Labor Employer Reporting Instructions
Part IV – Particular Types of Compensation Payments
Chapter 4: Selected Fringe Benefits

Group Term Life Insurance

The cost of coverage of group term life insurance greater than \$50,000 is considered compensation under the RRA to the extent that it is included in the gross income of an employee and subject to railroad retirement tax. The cost of group term life insurance with respect to periods within an employment relationship is treated the same as ordinary compensation creditable for both Tier I and Tier II purposes. See Internal Revenue Code (IRC) section 79 for detailed information.

A taxable fringe benefit arises if coverage exceeds \$50,000 and the policy is considered carried directly or indirectly by the employer, in which case:

- The employer pays any cost of the life insurance; or
- The employer arranges for the premium payments.

Reporting Life Insurance in "Earned" Versus "Paid" Situations

If compensation is being reported for the period that the compensation was earned, the cost of group term life insurance, with respect to periods after the termination of the employment relation, should be reported to the month in which the employment relation ended, up to the applicable annual Tier I and Tier II maximums. If the maximum creditable Tier I amount has been received, additional amounts would be considered miscellaneous compensation because the payment meets all the conditions described in Chapter 10 of this Part, about miscellaneous compensation.

If compensation is being reported for the period the payment was made, the cost of group term life insurance would be reported as Tier I, Tier II, and RUIA compensation for the year paid. No service month can be reported because the individual is no longer an employee.

Pension Plans

Amounts withheld from the employee's compensation for deposit into an employer pension plan account, amounts deposited into an employer pension plan account in lieu of a pay increase as negotiated with a labor union, or amounts deposited into a 401(k) pension plan for the employee, are considered to be the employee's funds and are creditable railroad compensation at the time of contribution. These amounts are subject to the railroad retirement tax. Employer matching funds are not considered compensation and are not subject to the railroad retirement tax.