



CIRCULAR

STATE OF NEW JERSEY

DEPARTMENT OF THE TREASURY

NO.: 26-08-OMB	ORIGINATING AGENCY: OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 2
EFFECTIVE DATE: 01-01-25	EXPIRATION DATE: 12-31-25	SUPERSEDES: 25-04-OMB
SUBJECT: GROUP-TERM LIFE INSURANCE IN EXCESS OF \$50,000		
ATTENTION: ALL DEPARTMENTS		
FOR INFORMATION CONTACT: Zachary.Burkhalter@treas.nj.gov		

The Federal Revenue Act of 1987, Section 79 of the Internal Revenue Code, requires the value of Group-Term Life Insurance coverage in excess of \$50,000 to be processed as wages for tax purposes. The amount of life insurance coverage is not taxable, but rather the premium required to pay for life insurance coverage is taxable. The policies and procedures outlined in this Circular apply only to Departments and Agencies paid through Centralized Payroll.

The Office of Management and Budget - Centralized Payroll will calculate the taxable amount and notify the affected employees with their pay checks for Pay Period 25, 2025. Appropriate FICA and Medicare deductions on this taxable amount will be taken. This calculation will be made using year to date base salary information through Pay Period 25 with Pay Period 26 projected. The taxable amount will be included in the year to date FICA, Medicare, Federal, and NJ state wages on Pay Period 25. Group-Term Life Insurance Premiums are not taxable for PA state wages. No federal or NJ state income taxes will be withheld.

As in prior years, the formula prescribed by the IRS will be used in computing the taxable value of the premiums for the year 2025. The first step is to determine the insurance coverage for the year.

A. The insurance coverages are as follows:

<u>Retirement System</u>	<u>Payroll Code</u>	<u>Non Contributory</u>	<u>Contributory</u>	<u>Non-Contributory With Contributory</u>
Legislature (PERS)	0	1.5 x Salary	1.5 x Salary	3.0 x Salary
State Police	1	3.5 x Salary	N/A	----
DCRP	2	1.5 x Salary	N/A	----
Police & Firemen's	3	3.5 x Salary	N/A	----
PERS	4	1.5 x Salary	1.5 x Salary	3.0 x Salary
Judicial	5	1.5 x Salary	N/A*	----
TPAF	6	1.5 x Salary	2.0 x Salary	3.5 x Salary
Alternate Benefit Plan	9	3.5 x Salary	N/A	----

- * The Contributory Insurance provided to a Judicial Retirement System member is not subject to the imputed income provisions of Section 79 of the Internal Revenue Code due to the particular structure of the program.

B. The salary figure used for the Group-Term Life Insurance fringe benefit is calculated as follows:

1. Take the year-to-date base salary (salary subject to pension deductions as of Pay Period 25).
2. Add projected base salary for Pay Period 26.
3. This sum is then compared to the employee's annual salary. The lower amount will be used in the computation.

NOTE: Employees enrolled in PERS or TPAF on or after July 1, 2007, and employees enrolled in PFRS or SPRS after May 21, 2010, will be enrolled in the DCRP once their Year-to-Date Base Wages exceed \$176,100. The Group-Term Life Insurance coverage will be calculated on the combined total Insurance coverage amount based on participation in both retirement systems.

For members of the Judicial Pension system use year to date gross for Pay Period 25 and projected gross for Pay Period 26.

C. After the coverage is determined, reduce it by \$50,000 (the exempt amount). The remainder is multiplied by the premium rate per thousand prescribed by the IRS as follows:

Age as of <u>12-31-25</u>	Annual Premium <u>Per Thousand</u>
Under 25	\$.60
25-29	.72
30-34	.96
35-39	1.08
40-44	1.20
45-49	1.80
50-54	2.76
55-59	5.16
60-64	7.92
65-69	15.24
70 & over	\$24.72

D. The result is the gross value of the taxable premiums. Since an employee is entitled to a credit for the contributions made during the year to the program, the total contributions are subtracted from the gross value resulting in the net taxable value.

For employees who have waived the Non-Contributory Life Insurance over \$50,000:

1. Employees who only have Non-Contributory Life Insurance and have waived insurance over \$50,000 are **not** subject to the Group-Term Life Insurance fringe benefit tax.
2. Employees with Contributory and Non-Contributory Insurance who have waived Non-Contributory Life insurance over \$50,000 will be subject to the same formula, with no reduction by the \$50,000 exempt amount, as only the contributory portion is therefore taxable.

Tariq Shabazz
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Acting Director