



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

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The Honorable Jennifer Wexton
Member, U.S. House of Representatives
21351 Gentry Drive, Suite 140
Sterling, VA 20166

Attention:

Dear Representative Wexton:

I am responding to your inquiry dated March 18, 2021, on behalf of your constituent, . is a federal retiree and asked about the taxability of certain life insurance coverage. Specifically, he asked if the value of his group-term life insurance coverage, provided through the Federal Employee Group Life Insurance (FEGLI) program, must be included in his gross income following retirement. also asked about the relevant laws and guidance that address the tax treatment of group-term life insurance coverage for former employees and how to report the value of the coverage in income.

While I cannot respond to the details of situation specifically, I can provide general information about the Internal Revenue Code (Code), Treasury Regulations, and other guidance as they may relate to his situation.

In general, Section 79 of the Code sets forth the income tax treatment of group-term life insurance purchased for employees. Section 79(a) provides an exclusion for the first \$50,000 of group-term life insurance coverage provided under an employer policy. The cost of coverage generally must be included in the employee's gross income if the cost of that coverage exceeds the sum of: the cost of \$50,000 of insurance and the amount (if any) the employee pays for the policy. Both Section 79(e) of the Code and Treasury Regulation Section 1.79-0(c) provide that the rules applicable to current employees for purposes of group-term life insurance are equally applicable to former employees. Treasury Regulation Section 1.79-0(a) clarifies that a group-term life insurance policy is

considered to be an employer policy if the employer pays the cost of the policy directly or through another person.

The Federal Employee Group Life Insurance (FEGLI) Handbook, which is published by OPM, provides that the federal government, through OPM, pays a portion of the cost of the basic insurance policy for former employees. The handbook, which provides additional resources and guidance for former employees, is accessible on OPM's website at <https://www.opm.gov/healthcare-insurance/life-insurance/reference-materials/publications-forms/feglihandbook.pdf>. In addition, because many of the questions raised relate to the administration of FEGLI following retirement, we suggest that he reach out to the Office of Personnel Management (OPM), which oversees the operation of FEGLI. can reach OPM's Retirement Information Office at 1-88-US-OPM-RET (1-888-767-6738).

I hope this information is helpful. If you have additional questions, please contact me or at .

Sincerely,

Denise Trujillo
Branch Chief, Health and Welfare
Office of Associate Chief Counsel
(Employee Benefits, Exempt Organizations,
and Employment Taxes)