

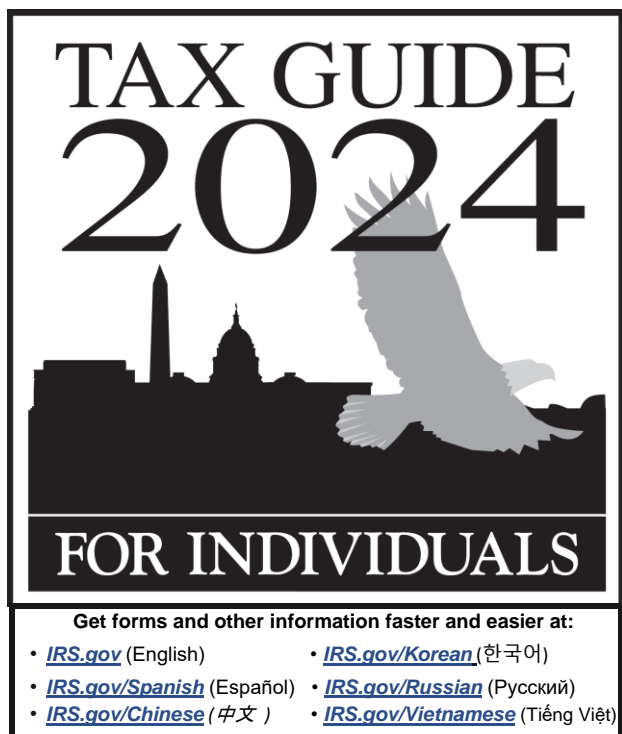
Publication 17

Your Federal Income Tax

For use in preparing

2024 Returns

Volume 5 of 14



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Not enough pay to cover taxes. If your regular pay isn't enough for your employer to withhold all the tax (including income tax and social security and Medicare taxes (or the equivalent railroad retirement tax)) due on your pay plus your tips, you can give your employer money to cover the shortage. See Pub. 531 for more information.

Allocated tips. Your employer shouldn't withhold income tax, Medicare tax, social security tax, or railroad retirement tax on any allocated tips. Withholding is based only on your pay plus your reported tips. Your employer should refund to you any incorrectly withheld tax. See Pub. 531 for more information.

Taxable Fringe Benefits

The value of certain noncash fringe benefits you receive from your employer is considered part of your pay. Your employer must generally withhold income tax on these benefits from your regular pay.

For information on fringe benefits, see *Fringe Benefits* under *Employee Compensation* in chapter 5.

Although the value of your personal use of an employer-provided car, truck, or other highway motor vehicle is taxable, your employer can choose not to withhold income tax on that amount. Your employer must notify you if this choice is made.

For more information on withholding on taxable fringe benefits, see chapter 1 of Pub. 505.

Sick Pay

Sick pay is a payment to you to replace your regular wages while you are temporarily absent from work due to sickness or personal injury. To qualify as sick pay, it must be paid under a plan to which your employer is a party.

If you receive sick pay from your employer or an agent of your employer, income tax must be withheld. An agent who doesn't pay regular wages to you may choose to withhold income tax at a flat rate.

However, if you receive sick pay from a third party who isn't acting as an agent of your employer, income tax will be withheld only if you choose to have it withheld.

See Form W-4S, later.

If you receive payments under a plan in which your employer doesn't participate (such as an accident or health plan where you paid all the premiums), the payments aren't sick pay and usually aren't taxable.

Union agreements. If you receive sick pay under a collective bargaining agreement between your union and your employer, the agreement may determine the amount of income tax withholding. See your union representative or your employer for more information.

Form W-4S. If you choose to have income tax withheld from sick pay paid by a third party, such as an insurance company, you must fill out Form W-4S. Its instructions contain a worksheet you can use to figure the amount you want withheld. They also explain restrictions that may apply.

Give the completed form to the payer of your sick pay. The payer must withhold according to your directions on the form.

Estimated tax. If you don't request withholding on Form W-4S, or if you don't have enough tax withheld, you may have to make estimated tax payments. If you don't pay enough tax, either through estimated tax or withholding, or a combination of both, you may have to pay a penalty. See *Underpayment Penalty for 2024* at the end of this chapter.

Pensions and Annuities

Income tax will usually be withheld from your pension or annuity distributions unless you choose not to have it withheld. This rule applies to distributions from:

- A traditional individual retirement arrangement (IRA);
- A life insurance company under an endowment, annuity, or life insurance contract;
- A pension, annuity, or profit-sharing plan;
- A stock bonus plan; and
- Any other plan that defers the time you receive compensation.

The amount withheld depends on whether you receive payments spread out over more than 1 year (periodic payments), within 1 year (nonperiodic payments), or as an eligible rollover distribution (ERD). Income tax withholding from an ERD is mandatory.

More information. For more information on withholding on pensions and annuities, including a discussion of Form W-4P, see *Pensions and Annuities* in chapter 1 of Pub. 505.

Gambling Winnings

Income tax is withheld at a flat 24% rate from certain kinds of gambling winnings.

Gambling winnings of more than \$5,000 from the following sources are subject to income tax withholding.

- Any sweepstakes; wagering pool, including payments made to winners of poker tournaments; or lottery.
- Any other wager, if the proceeds are at least 300 times the amount of the bet.

It doesn't matter whether your winnings are paid in cash, in property, or as an annuity. Winnings not paid in cash are taken into account at their fair market value.

Exception. Gambling winnings from bingo, keno, and slot machines generally aren't subject to income tax withholding. However, you may need to provide the payer with a social security number to avoid withholding. See *Backup withholding on gambling winnings* in chapter 1 of Pub. 505. If you receive gambling winnings not subject to withholding, you may need to pay estimated tax. See Estimated Tax for 2025, later.

If you don't pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. See Underpayment Penalty for 2024 at the end of this chapter.

Form W-2G. If a payer withholds income tax from your gambling winnings, you should receive a Form W-2G, Certain Gambling Winnings, showing the amount you won and the amount withheld. Report the tax withheld on Form 1040 or 1040-SR, line 25c.

Unemployment Compensation

You can choose to have income tax withheld from unemployment compensation. To make this choice, fill out Form W-4V (or a similar form provided by the payer) and give it to the payer.

All unemployment compensation is taxable. If you don't have income tax withheld, you may have to pay estimated tax. See *Estimated Tax for 2025*, later.

If you don't pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. See *Underpayment Penalty for 2024* at the end of this chapter.

Federal Payments

You can choose to have income tax withheld from certain federal payments you receive. These payments are the following.

1. Social security benefits.

2. Tier 1 railroad retirement benefits.
3. Commodity credit corporation loans you choose to include in your gross income.
4. Payments under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), as amended, or title II of the Disaster Assistance Act of 1988, that are treated as insurance proceeds and that you receive because:
 - a. Your crops were destroyed or damaged by drought, flood, or any other natural disaster; or
 - b. You were unable to plant crops because of a natural disaster described in (a).
5. Any other payment under federal law as determined by the Secretary.

To make this choice, fill out Form W-4V (or a similar form provided by the payer) and give it to the payer.

If you don't choose to have income tax withheld, you may have to pay estimated tax. See *Estimated Tax for 2025*, later.

If you don't pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. See *Underpayment Penalty for 2024* at the end of this chapter.

More information. For more information about the tax treatment of social security and railroad retirement benefits, see chapter 7. Get Pub. 225, *Farmer's Tax Guide*, for information about the tax treatment of commodity credit corporation loans or crop disaster payments.

Backup Withholding

Banks or other businesses that pay you certain kinds of income must file an information return (Form 1099) with the IRS. The information return shows how much you were paid during the year. It also includes your name and taxpayer identification number (TIN). TINs are explained in chapter 1 under *Social Security Number (SSN)*.

These payments generally aren't subject to withholding. However, "backup" withholding is required in certain situations. Backup withholding can apply to most kinds of payments that are reported on Form 1099.

The payer must withhold at a flat 24% rate in the following situations.

- You don't give the payer your TIN in the required manner.
- The IRS notifies the payer that the TIN you gave is incorrect.

- You are required, but fail, to certify that you aren't subject to backup withholding.
- The IRS notifies the payer to start withholding on interest or dividends because you have underreported interest or dividends on your income tax return. The IRS will do this only after it has mailed you four notices.

Go to [IRS.gov/Businesses/Small-Businesses-Self-Employed/BackupWithholding](https://www.irs.gov/Businesses/Small-Businesses-Self-Employed/BackupWithholding) for more information on kinds of payments subject to backup withholding.

Penalties. There are civil and criminal penalties for giving false information to avoid backup withholding. The civil penalty is \$500. The criminal penalty, upon conviction, is a fine of up to \$1,000 or imprisonment of up to 1 year, or both.

Estimated Tax for 2025

Estimated tax is the method used to pay tax on income that isn't subject to withholding. This includes income from self-employment, interest, dividends, alimony, rent, gains from the sale of assets, prizes, and awards. You may also have to pay estimated tax if the amount of income tax being withheld from your salary, pension, or other income isn't enough.

Estimated tax is used to pay both income tax and self-employment tax, as well as other taxes and amounts reported on your tax return. If you don't pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. If you don't pay enough by the due date of each payment period (see *When To Pay Estimated Tax*, later), you may be charged a penalty even if you are due a refund when you file your tax return. For information on when the penalty applies, see

Underpayment Penalty for 2024 at the end of this chapter.

Who Doesn't Have To Pay Estimated Tax

If you receive salaries or wages, you can avoid having to pay estimated tax by asking your employer to take more tax out of your earnings. To do this, give a new Form W-4 to your employer. See chapter 1 of Pub. 505.

Estimated tax not required. You don't have to pay estimated tax for 2025 if you meet all three of the following conditions.

- You had no tax liability for 2024.
- You were a U.S. citizen or resident alien for the whole year.
- Your 2024 tax year covered a 12-month period.

You had no tax liability for 2024 if your total tax was zero or you didn't have to file an income tax return. For the definition of “total tax” for 2024, see Pub. 505, chapter 2.

Who Must Pay Estimated Tax

If you owe additional tax for 2024, you may have to pay estimated tax for 2025.

You can use the following general rule as a guide during the year to see if you will have enough withholding, or if you should increase your withholding or make estimated tax payments.

General rule. In most cases, you must pay estimated tax for 2025 if both of the following apply.

1. You expect to owe at least \$1,000 in tax for 2025, after subtracting your withholding and refundable credits.
2. You expect your withholding plus your refundable credits to be less than the smaller of:

- a. 90% of the tax to be shown on your 2025 tax return, or
- b. 100% of the tax shown on your 2024 tax return (but see Special rules for farmers, fishers, and higher income taxpayers, later). Your 2024 tax return must cover all 12 months.



If the result from using the general rule above suggests that you won't have enough withholding, complete the 2025 Estimated Tax Worksheet in Pub. 505 for a more accurate calculation.

Special rules for farmers, fishers, and higher income taxpayers. If at least two-thirds of your gross income for tax year 2024 or 2025 is from farming or fishing, substitute $66\frac{2}{3}\%$ for 90% in (2a) under the General rule, earlier. If your AGI for 2024 was more than \$150,000 (\$75,000 if your filing status for 2025 is married filing a separate return), substitute 110% for 100% in (2b) under

General rule, earlier. See Figure 4-A and Pub. 505, chapter 2, for more information.

Aliens. Resident and nonresident aliens may also have to pay estimated tax. Resident aliens should follow the rules in this chapter unless noted otherwise. Nonresident aliens should get Form 1040-ES (NR), U.S.

Estimated Tax for Nonresident Alien Individuals.

You are an alien if you aren't a citizen or national of the United States. You are a resident alien if you either have a green card or meet the substantial presence test. For more information about the substantial presence test, see Pub. 519, U.S. Tax Guide for Aliens.

Married taxpayers. If you qualify to make joint estimated tax payments, apply the rules discussed here to your joint estimated income.

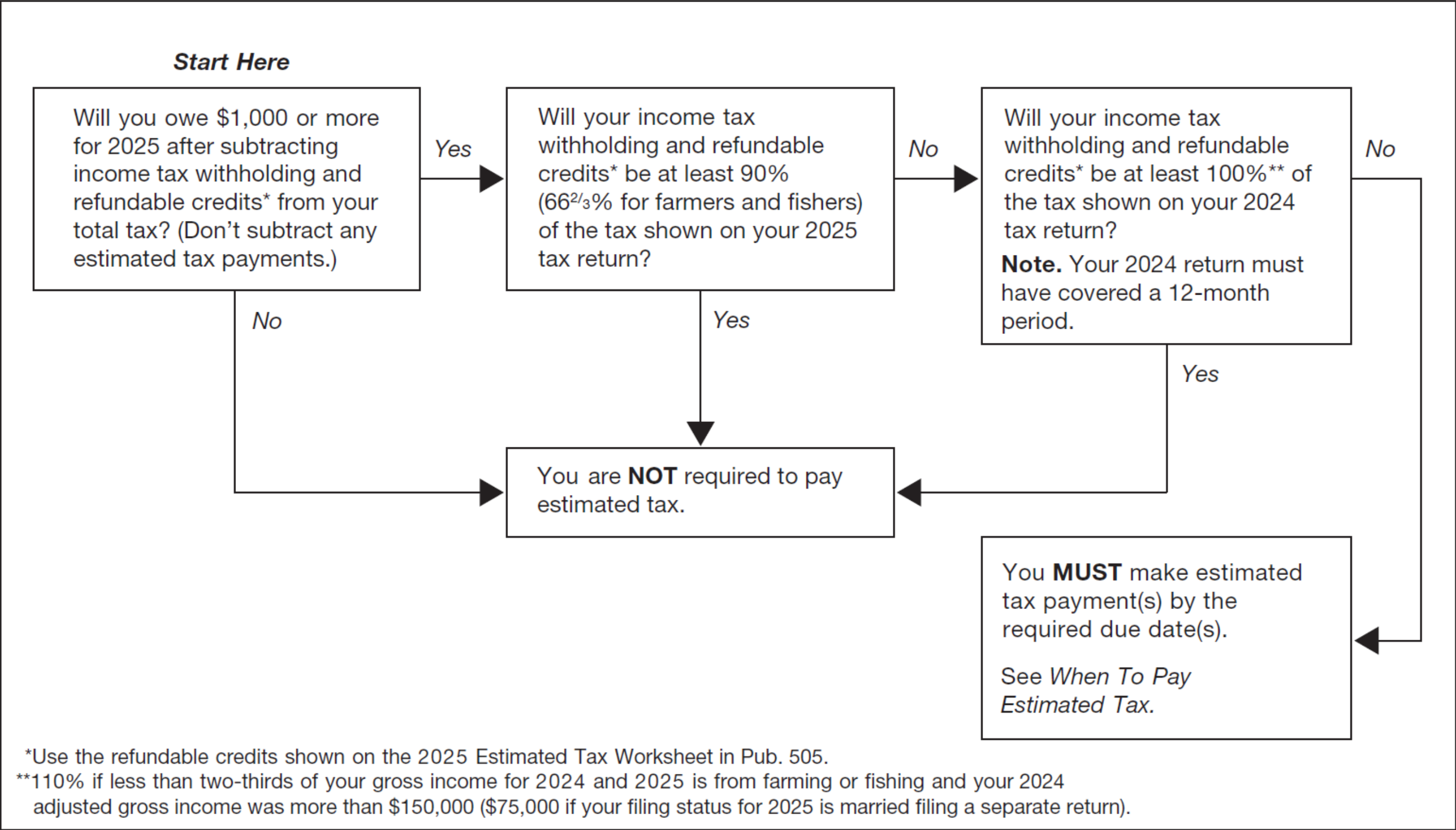
You and your spouse can make joint estimated tax payments even if you aren't living together.

However, you and your spouse can't make joint estimated tax payments if:

- You are legally separated under a decree of divorce or separate maintenance,
- You and your spouse have different tax years, or
- Either spouse is a nonresident alien (unless that spouse elected to be treated as a resident alien for tax purposes (see chapter 1 of Pub. 519)).

If you and your spouse can't make estimated tax payments, apply these rules to your separate estimated income. Making joint or separate estimated tax payments won't affect your choice of filing a joint tax return or separate returns for 2025.

Figure 4-A. Do You Have To Pay Estimated Tax?



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2024 separate returns and 2025 joint return. If you plan to file a joint return with your spouse for 2025 but you filed separate returns for 2024, your 2024 tax is the total of the tax shown on your separate returns. You filed a separate return if you filed as single, head of household, or married filing separately.

2024 joint return and 2025 separate returns. If you plan to file a separate return for 2025 but you filed a joint return for 2024, your 2024 tax is your share of the tax on the joint return. You file a separate return if you file as single, head of household, or married filing separately.

To figure your share of the tax on the joint return, first figure the tax both you and your spouse would have paid had you filed separate returns for 2024 using the same filing status as for 2025. Then, multiply the tax on the joint return by the following fraction.

The tax you would have paid had you filed a separate return

The total tax you and your spouse would have paid had you filed separate returns

Example. Taxpayer A and Taxpayer B filed a joint return for 2024 showing taxable income of \$48,500 and tax of \$5,359. Of the \$48,500 taxable income, \$40,100 was Taxpayer A's and the rest was Taxpayer B's. For 2025, they plan to file married filing separately. Taxpayer A figures tax on the 2024 joint return as follows.

Tax on \$40,100 based on a separate return	\$4,583
Tax on \$8,400 based on a separate return	<u>843</u>
Total	\$5,426

Taxpayer A's percentage of total
(\$4,583 ÷ \$5,426) ... 85%

Taxpayer A's share of tax on joint
return (\$5,359 × 85%) \$4,555

How To Figure Estimated Tax

To figure your estimated tax, you must figure your expected adjusted gross income (AGI), taxable income, taxes, deductions, and credits for the year.

When figuring your 2025 estimated tax, it may be helpful to use your income, deductions, and credits for 2024 as a starting point. Use your 2024 federal tax return as a guide. You can use Form 1040-ES and Pub. 505 to figure your estimated tax. Nonresident aliens use Form 1040-ES (NR) and Pub. 505 to figure estimated tax (see chapter 8 of Pub. 519 for more information).

You must make adjustments both for changes in your own situation and for recent changes in the tax law. For a discussion of these changes, visit [IRS.gov](https://www.irs.gov).

For more complete information on how to figure your estimated tax for 2025, see chapter 2 of Pub. 505.

When To Pay Estimated Tax

For estimated tax purposes, the tax year is divided into four payment periods. Each period has a specific payment due date. If you don't pay enough tax by the due date of each payment period, you may be charged a penalty even if you are due a refund when you file your income tax return.

The payment periods and due dates for estimated tax payments are shown next.

For the period:	Due date:*
------------------------	-------------------

Jan. 1–March 31	April 15
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April 1–May 31	June 16
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June 1–August 31	Sept. 15
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*See Saturday, Sunday, holiday rule and January payment.

Saturday, Sunday, holiday rule. If the due date for an estimated tax payment falls on a Saturday, Sunday, or legal holiday, the payment will be on time if you make it on the next day that isn't a Saturday, Sunday, or legal holiday.

January payment. If you file your 2025 Form 1040 or 1040-SR by February 2, 2026, and pay the rest of the tax you owe, you

don't need to make the payment due on January 15, 2026.

Fiscal year taxpayers. If your tax year doesn't start on January 1, see the Form 1040-ES instructions for your payment due dates.

When To Start

You don't have to make estimated tax payments until you have income on which you will owe income tax. If you have income subject to estimated tax during the first payment period, you must make your first payment by the due date for the first payment period. You can pay all your estimated tax at that time, or you can pay it in installments. If you choose to pay in installments, make your first payment by the due date for the first payment period. Make your remaining installment payments by the due dates for the later periods.

No income subject to estimated tax during first period. If you don't have income subject to estimated tax until a later payment period, you must make your first payment by the due date for that period. You can pay your entire estimated tax by the due date for that period or you can pay it in installments by the due date for that period and the due dates for the remaining periods.

Table 4-1. **General Due Dates for Estimated Tax Installment Payments**

If you first have income on which you must pay estimated tax:	Make installments by:*	Make later installments by:*
Before April 1	April 15	June 15 Sept. 15 Jan. 15, next year

April 1–May 31	June 15	Sept. 15
		Jan. 15, next year
June 1–Aug. 31	Sept. 15	Jan. 15, next year
After Aug. 31	Jan. 15, next year	(None)

*See Saturday, Sunday, holiday rule and January payment.

How much to pay to avoid a penalty. To determine how much you should pay by each payment due date, see How To Figure Each Payment next.

How To Figure Each Payment

You should pay enough estimated tax by the due date of each payment period to avoid a penalty for that period. You can figure your required payment for each period by using either the regular installment method or the

annualized income installment method. These methods are described in chapter 2 of Pub. 505. If you don't pay enough during each payment period, you may be charged a penalty even if you are due a refund when you file your tax return.

If the earlier discussion of *No income subject to estimated tax during first period* or the later discussion of *Change in estimated tax* applies to you, you may benefit from reading *Annualized Income Installment Method* in chapter 2 of Pub. 505 for information on how to avoid a penalty.

Underpayment penalty. Under the regular installment method, if your estimated tax payment for any period is less than one-fourth of your estimated tax, you may be charged a penalty for underpayment of estimated tax for that period when you file your tax return. Under the annualized income installment method, your estimated tax payments vary with your income, but the

amount required must be paid each period. See *Instructions for Form 2210* for more information.

Change in estimated tax. After you make an estimated tax payment, changes in your income, adjustments, deductions, or credits may make it necessary for you to refigure your estimated tax. Pay the unpaid balance of your amended estimated tax by the next payment due date after the change or in installments by that date and the due dates for the remaining payment periods.

Estimated Tax Payments Not Required

You don't have to pay estimated tax if your withholding in each payment period is at least as much as:

- One-fourth of your required annual payment, or
- Your required annualized income installment for that period.

You also don't have to pay estimated tax if you will pay enough through withholding to keep the amount you owe with your return under \$1,000.

How To Pay Estimated Tax

There are several ways to pay estimated tax.

- Credit an overpayment on your 2024 return to your 2025 estimated tax.
- Pay by direct transfer from your bank account, or pay by debit or credit card using a pay-by-phone system or the Internet.
- Send in your payment (check or money order) with a payment voucher from Form 1040-ES.

Credit an Overpayment

If you show an overpayment of tax after completing your Form 1040 or 1040-SR for 2024, you can apply part or all of it to your estimated tax for 2025. On line 36 of Form

1040 or 1040-SR, enter the amount you want credited to your estimated tax rather than refunded. Take the amount you have credited into account when figuring your estimated tax payments.

You can't have any of the amount you credited to your estimated tax refunded to you until you file your tax return for the following year. You also can't use that overpayment in any other way.

Pay Online

The IRS offers an electronic payment option that is right for you. Paying online is convenient, secure, and helps make sure we get your payments on time. To pay your taxes online or for more information, go to [IRS.gov/Payments](https://www.irs.gov/Payments). You can pay using any of the following methods.

- **IRS Direct Pay.** For online transfers directly from your checking or savings

account at no cost to you, go to [IRS.gov/Payments](https://www.irs.gov/Payments).

- **Pay by Card or Digital Wallet.** To pay by debit or credit card or digital wallet, go to [IRS.gov/Payments](https://www.irs.gov/Payments). A fee is charged by these service providers. You can also pay by phone with a debit or credit card. See *Debit or credit card* under *Pay by Phone*, later.
- **Electronic Funds Withdrawal (EFW).** This is an integrated *e-file/e-pay* option offered only when filing your federal taxes electronically using tax preparation software, through a tax professional, or the IRS at [IRS.gov/OPA](https://www.irs.gov/OPA).
- **Online Payment Agreement.** If you can't pay in full by the due date of your tax return, you can apply for an online monthly installment agreement at [IRS.gov/Payments](https://www.irs.gov/Payments). Once you complete the online process, you will receive immediate notification of whether your

agreement has been approved. A user fee is charged.

- **IRS2Go.** This is the mobile application of the IRS. You can access Direct Pay or Pay By Card by downloading the application.

Electronic Federal Tax Payment System (EFTPS)

This system allows you to pay your taxes online or by phone directly from your checking or saving account. There is no fee for this service. You must be enrolled either online or have an enrollment form mailed to you. See *EFTPS* under *Pay by Phone*, later.

Pay by Phone

Paying by phone is another safe and secure method of paying electronically. Use one of the following methods: **(1)** call one of the debit or credit card providers, or **(2)** use the Electronic Federal Tax Payment System (EFTPS) to pay directly from your checking or savings account.

Debit or credit card. Call one of our service providers. Each charges a fee that varies by provider, card type, and payment amount.

ACI Payments, Inc. (formerly Official Payments) 888-272-9829

www.fed.acipayonline.com

Link2Gov Corporation

888-PAY-1040™ (888-729-1040)

www.PAY1040.com

EFTPS. To get more information about EFTPS or to enroll in EFTPS, visit EFTPS.gov or call 800-555-4477. To contact EFTPS using Telecommunications Relay Services (TRS) for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number above or 800-733-4829. Additional information about EFTPS is also available in Pub. 966.

Pay by Mobile Device

To pay through your mobile device, download the IRS2Go application.

Pay by Cash

Cash is an in-person payment option for individuals provided through retail partners with a maximum of \$1,000 per day per transaction. To make a cash payment, you must choose a payment processor online with ACI Payments, Inc. at fed.acipayonline.com or www.Pay1040.com, our official payment provider. For more information, go to IRS.gov/paywithcash or see Pub. 5250. Don't send cash payments through the mail.

Pay by Check or Money Order Using the Estimated Tax Payment Voucher

Before submitting a payment through the mail using the estimated tax payment voucher, please consider alternative methods. One of our safe, quick, and easy electronic payment options might be right for you.

If you choose to mail in your payment, each payment of estimated tax by check or money order must be accompanied by a payment voucher from Form 1040-ES.

During 2024, if you:

- Made at least one estimated tax payment but not by electronic means,
- Didn't use software or a paid preparer to prepare or file your return, then you should receive a copy of the 2025 Form 1040-ES with payment vouchers.

The enclosed payment vouchers will be preprinted with your name, address, and social security number. Using the preprinted vouchers will speed processing, reduce the chance of error, and help save processing costs.

Use the window envelopes that came with your Form 1040-ES package. If you use your own envelopes, make sure you mail your payment vouchers to the address shown in

the Form 1040-ES instructions for the place where you live.

No checks of \$100 million or more accepted. The IRS can't accept a single check (including a cashier's check) for amounts of \$100,000,000 (\$100 million) or more. If you are sending \$100 million or more by check, you'll need to spread the payment over two or more checks with each check made out for an amount less than \$100 million. This limit doesn't apply to other methods of payment (such as electronic payments). Please consider a method of payment other than check if the amount of the payment is over \$100 million.

Note. These criteria can change without notice. If you don't receive a Form 1040-ES package and you are required to make an estimated tax payment, you should go to [IRS.gov/ Form1040-ES](https://www.irs.gov/Form1040-ES) and print a copy of Form 1040-ES that includes four blank payment vouchers. Complete one of these

and make your payment timely to avoid penalties for paying late.



Don't use the address shown in the Instructions for Form 1040 for your estimated tax payments.

If you didn't pay estimated tax last year, you can order Form 1040-ES from the IRS (see the inside back cover of this publication) or download it from IRS.gov. Follow the instructions to make sure you use the vouchers correctly.

Joint estimated tax payments. If you file a joint return and are making joint estimated tax payments, enter the names and social security numbers on the payment voucher in the same order as they will appear on the joint return.

Change of address. You must notify the IRS if you are making estimated tax payments and you changed your address during the year. Complete Form 8822, Change of

Address, and mail it to the address shown in the instructions for that form.

Credit for Withholding and Estimated Tax for 2024

When you file your 2024 income tax return, take credit for all the income tax and excess social security or railroad retirement tax withheld from your salary, wages, pensions, etc. Also take credit for the estimated tax you paid for 2024. These credits are subtracted from your total tax. Because these credits are refundable, you should file a return and claim these credits, even if you don't owe tax.

Two or more employers. If you had two or more employers in 2024 and were paid wages of more than \$168,600, too much social security or tier 1 railroad retirement tax may have been withheld from your pay. You may be able to claim the excess as a credit against your income tax when you file your return.

See the Instructions for Form 1040 for more information.

Withholding

If you had income tax withheld during 2024, you should be sent a statement by January 31, 2025, showing your income and the tax withheld. Depending on the source of your income, you should receive:

- Form W-2, Wage and Tax Statement;
- Form W-2G, Certain Gambling Winnings; or
- A form in the 1099 series.

Forms W-2 and W-2G. If you file a paper return, always file Form W-2 with your income tax return. File Form W-2G with your return only if it shows any federal income tax withheld from your winnings.

You should get at least two copies of each form. If you file a paper return, attach one copy to the front of your federal income tax

return. Keep one copy for your records. You should also receive copies to file with your state and local returns.

Form W-2

Your employer is required to provide or send Form W-2 to you no later than January 31, 2025. You should receive a separate Form W-2 from each employer you worked for.

If you stopped working before the end of 2024, your employer could have given you your Form W-2 at any time after you stopped working. However, your employer must provide or send it to you by January 31, 2025.

If you ask for the form, your employer must send it to you within 30 days after receiving your written request or within 30 days after your final wage payment, whichever is later.

If you haven't received your Form W-2 by January 31, you should ask your employer for it. If you don't receive it by early February, call the IRS.

Form W-2 shows your total pay and other compensation and the income tax, social security tax, and Medicare tax that was withheld during the year. Include the federal income tax withheld (as shown in box 2 of Form W-2) on Form 1040 or 1040-SR, line 25a.

In addition, Form W-2 is used to report any taxable sick pay you received and any income tax withheld from your sick pay.

Form W-2G

If you had gambling winnings in 2024, the payer may have withheld income tax. If tax was withheld, the payer will give you a Form W-2G showing the amount you won and the amount of tax withheld.

Report the amounts you won on Schedule 1 (Form 1040). Take credit for the tax withheld on Form 1040 or 1040-SR, line 25c.

The 1099 Series

Most forms in the 1099 series aren't filed with your return. These forms should be furnished to you by January 31, 2025 (or, for Forms 1099-B, 1099-S, and certain Forms 1099-MISC, by February 15, 2025). Unless instructed to file any of these forms with your return, keep them for your records. There are several different forms in this series, which are not listed. See the instructions for the specific Form 1099 for more information.

Form 1099-R. Attach Form 1099-R to your paper return if box 4 shows federal income tax withheld. Include the amount withheld in the total on line 25b of Form 1040 or 1040-SR.

Backup withholding. If you were subject to backup withholding on income you received during 2024, include the amount withheld, as shown on your Form 1099, in the total on line 25b of Form 1040 or 1040-SR.

Form Not Correct

If you receive a form with incorrect information on it, you should ask the payer for a corrected form. Call the telephone number or write to the address given for the payer on the form. The corrected Form W-2G or Form 1099 you receive will have an "X" in the "CORRECTED" box at the top of the form. A special form, Form W-2c, Corrected Wage and Tax Statement, is used to correct a Form W-2.

In certain situations, you will receive two forms in place of the original incorrect form. This will happen when your taxpayer identification number is wrong or missing, your name and address are wrong, or you received the wrong type of form (for example,

a Form 1099-DIV, Dividends and Distributions, instead of a Form 1099-INT, Interest Income). One new form you receive will be the same incorrect form or have the same incorrect information, but all money amounts will be zero. This form will have an "X" in the "CORRECTED" box at the top of the form. The second new form should have all the correct information, prepared as though it is the original (the "CORRECTED" box won't be checked).

Form Received After Filing

If you file your return and you later receive a form for income that you didn't include on your return, you should report the income and take credit for any income tax withheld by filing Form 1040-X, Amended U.S. Individual Income Tax Return.

Separate Returns

If you are married but file a separate return, you can take credit only for the tax withheld from your own income. Don't include any amount withheld from your spouse's income. However, different rules may apply if you live in a community property state.

Community property states are listed in chapter 2. For more information on these rules, and some exceptions, see Pub. 555, Community Property.

Estimated Tax

Take credit for all your estimated tax payments for 2024 on Form 1040 or 1040-SR, line 26. Include any overpayment from 2023 that you had credited to your 2024 estimated tax.

Name changed. If you changed your name, and you made estimated tax payments using your old name, attach a brief statement to the front of your paper tax return indicating:

- When you made the payments,
- The amount of each payment,
- Your name when you made the payments,
and
- Your social security number.

The statement should cover payments you made jointly with your spouse as well as any you made separately.

Be sure to report the change to the Social Security Administration. This prevents delays in processing your return and issuing any refunds.

Separate Returns

If you and your spouse made separate estimated tax payments for 2024 and you file separate returns, you can take credit only for your own payments.

If you made joint estimated tax payments, you must decide how to divide the payments between your returns. One of you can claim all of the estimated tax paid and the other none, or you can divide it in any other way you agree on. If you can't agree, you must divide the payments in proportion to each spouse's individual tax as shown on your separate returns for 2024.

Divorced Taxpayers

If you made joint estimated tax payments for 2024, and you were divorced during the year, either you or your former spouse can claim all of the joint payments, or you each can claim part of them. If you can't agree on how to divide the payments, you must divide them in proportion to each spouse's individual tax as shown on your separate returns for 2024.

If you claim any of the joint payments on your tax return, enter your former spouse's social security number (SSN) in the space provided on the front of Form 1040 or 1040-

SR. If you divorced and remarried in 2024, enter your present spouse's SSN in the space provided on the front of Form 1040 or 1040-SR. Also, on the dotted line next to line 26, enter your former spouse's SSN, followed by "DIV."

Underpayment Penalty for 2024

If you didn't pay enough tax, either through withholding or by making timely estimated tax payments, you will have an underpayment of estimated tax and you may have to pay a penalty.

Generally, you won't have to pay a penalty for 2024 if any of the following apply.

- The total of your withholding and estimated tax payments was at least as much as your 2023 tax (or 110% of your 2023 tax if your AGI was more than \$150,000, \$75,000 if your 2024 filing status is married filing separately) and

you paid all required estimated tax payments on time;

- The tax balance due on your 2024 return is no more than 10% of your total 2024 tax, and you paid all required estimated tax payments on time;
- Your total 2024 tax minus your withholding and refundable credits is less than \$1,000;
- You didn't have a tax liability for 2023 and your 2023 tax year was 12 months; or
- You didn't have any withholding taxes and your current year tax less any household employment taxes is less than \$1,000.

Farmers and fishers. Special rules apply if you are a farmer or fisher. See the *Instructions for Form 2210-F* for more information.

IRS can figure the penalty for you. If you think you owe the penalty but you don't want to figure it yourself when you file your tax return, you may not have to. Generally, the IRS will figure the penalty for you and send you a bill. However, if you think you are able to lower or eliminate your penalty, you must complete Form 2210 or Form 2210-F and attach it to your paper return. See *Instructions for Form 2210* for more information.

Part Two.

Income and Adjustments to Income

The five chapters in this part discuss many kinds of income and adjustments to income. They explain which income is and isn't taxed and discuss some of the adjustments to income that you can make in figuring your adjusted gross income.

The Form 1040 and 1040-SR schedules that are discussed in these

chapters are:

- Schedule 1, Additional Income and Adjustments to Income;
- Schedule 2, Part II, Other Taxes; and
- Schedule 3, Part II, Other Payments and Refundable Credits

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Table V. **Other Adjustments to Income**

Use this table to find information about other adjustments to income not covered in this part of the publication.

IF you are looking for more information about the deduction for...	THEN see...
contributions to a health savings account	Pub. 969, Health Savings Accounts and Other Tax-Favored Health Plans.
moving expenses	Pub. 3, Armed Forces' Tax Guide.
part of your self-employment tax	chapter 11.
self-employed health insurance	Pub. 502, Medical and Dental Expenses.
payments to self-employed SEP, SIMPLE, and qualified plans	Pub. 560, Retirement Plans for Small Business.
penalty on the early withdrawal of savings	chapter 6.
contributions to an Archer MSA	Pub. 969.
reforestation amortization or expense	chapters 4 and 7 of Pub. 225, Farmer's Tax Guide.
contributions to Internal Revenue Code section 501(c)(18)(D) pension plans	Pub. 525, Taxable and Nontaxable Income.
expenses from the rental of personal property	chapter 8.
certain required repayments of supplemental unemployment benefits (sub-pay)	chapter 8.
foreign housing costs	chapter 4 of Pub. 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad.
jury duty pay given to your employer	chapter 8.
contributions by certain ministers or chaplains to Internal Revenue Code section 403(b) plans	Pub. 517, Social Security and Other Information for Members of the Clergy and Religious Workers.
attorney fees and certain costs for actions involving IRS awards to whistleblowers	Pub. 525.

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5.

Wages, Salaries, and Other Earnings

What's New

Deferred compensation contribution limit increased. If you participate in a 401(k) plan, 403(b) plan, or the federal government's Thrift Savings Plan, the total annual amount you can contribute is increased to \$23,000 (\$30,500 if age 50 or older) for 2024. This also applies to most section 457 plans.

Health flexible spending arrangements (health FSAs) under cafeteria plans. For tax years beginning in 2024, the dollar limitation under section 125(i) on voluntary employee salary reductions for contributions to health FSAs is \$3,200.

Introduction

This chapter discusses compensation received for services as an employee, such as wages, salaries, and fringe benefits. The following topics are included.

- Bonuses and awards.
- Special rules for certain employees.
- Sickness and injury benefits.

The chapter explains what income is included and isn't included in the employee's gross income.

Useful Items

You may want to see:

Publication

- ☐ **463** Travel, Gift, and Car Expenses
- ☐ **502** Medical and Dental Expenses
- ☐ **524** Credit for the Elderly or the Disabled

- ❑ **525** Taxable and Nontaxable Income
- ❑ **526** Charitable Contributions
- ❑ **550** Investment Income and Expenses
- ❑ **554** Tax Guide for Seniors
- ❑ **575** Pension and Annuity Income
- ❑ **907** Tax Highlights for Persons With Disabilities
- ❑ **926** Household Employer's Tax Guide
- ❑ **3920** Tax Relief for Victims of Terrorist Attacks

For these and other useful items, go to [IRS.gov/ Forms](https://www.irs.gov/forms).

Employee Compensation

This section discusses various types of employee compensation, including fringe benefits, retirement plan contributions, stock options, and restricted property.

Form W-2. If you're an employee, you should receive a Form W-2 from your employer showing the pay you received for your services. Include your pay on Form 1040 or 1040-SR, line 1a, even if you don't receive a Form W-2.

In some instances, your employer isn't required to give you a Form W-2. Your employer isn't required to give you a Form W-2 if you perform household work in your employer's home for less than \$2,700 in cash wages during the calendar year and you have no federal income taxes withheld from your wages. Household work is work done in or around an employer's home. Some examples of workers who do household work are:

- Babysitters,
- Butlers,
- Caretakers,
- Cooks,

- Domestic workers,
- Drivers,
- Health aides,
- Housecleaning workers,
- Housekeepers,
- Maids,
- Nannies,
- Private nurses, and
- Yard workers.

See Schedule H (Form 1040), Household Employment Taxes, and its instructions, and Pub. 926 for more information.

If you performed services, other than as an independent contractor, and your employer didn't withhold social security and Medicare taxes from your pay, you must file Form 8919, Uncollected Social Security and Medicare Tax on Wages, with your Form 1040 or 1040-SR. See Form 8919 and its

instructions for more information on how to figure unreported wages and taxes and how to include them on your income tax return.

Childcare providers. If you provide childcare, either in the child's home or in your home or other place of business, the pay you receive must be included in your income. If you aren't an employee, you're probably self-employed and must include payments for your services on Schedule C (Form 1040), Profit or Loss From Business. You generally aren't an employee unless you're subject to the will and control of the person who employs you as to what you're to do and how you're to do it.

Babysitting. If you're paid to babysit, even for relatives or neighborhood children, whether on a regular basis or only periodically, the rules for childcare providers apply to you.

Self-employment tax. Whether you're an employee or self-employed person, your income could be subject to self-employment tax. See the instructions for Schedules C and SE (Form 1040) if you're self-employed. Also, see Pub. 926 for more information.

Miscellaneous Compensation

This section discusses different types of employee compensation.

Advance commissions and other earnings. If you receive advance commissions or other amounts for services to be performed in the future and you're a cash-method taxpayer, you must include these amounts in your income in the year you receive them.

If you repay unearned commissions or other amounts in the same year you receive them, reduce the amount included in your income by the repayment. If you repay them in a later tax year, you can deduct the repayment

as an itemized deduction on your Schedule A (Form 1040), line 16, or you may be able to take a credit for that year. See Repayments in chapter 8.

Allowances and reimbursements. If you receive travel, transportation, or other business expense allowances or reimbursements from your employer, see Pub. 463, Travel, Gift, and Car Expenses. If you're a member of the military and you're reimbursed for moving expenses, see Pub. 521, Moving Expenses.

Back pay awards. If you receive an amount in payment of a settlement or judgment for back pay, you must include the amount of the payment in your income. This includes payments made to you for damages, unpaid life insurance premiums, and unpaid health insurance premiums. They should be reported to you by your employer on Form W-2.

Bonuses and awards. If you receive a bonus or award (cash, goods, services, etc.) from your employer, you must include its value in your income. However, if your employer merely promises to pay you a bonus or award at some future time, it isn't taxable until you receive it or it's made available to you.

Employee achievement award. If you receive tangible personal property (other than cash, a gift certificate, or an equivalent item) as an award for length of service or safety achievement, you can generally exclude its value from your income. The amount you can exclude is limited to your employer's cost and can't be more than \$1,600 for qualified plan awards or \$400 for nonqualified plan awards for all such awards you receive during the year. Your employer can tell you whether your award is a qualified plan award. Your employer must make the award as part of a meaningful presentation, under conditions

and circumstances that don't create a significant likelihood of it being disguised pay.

However, the exclusion doesn't apply to the following awards.

- A length-of-service award if you received it for less than 5 years of service or if you received another length-of-service award during the year or the previous 4 years
- A safety achievement award if you're a manager, administrator, clerical employee, or other professional employee or if more than 10% of eligible employees previously received safety achievement awards during the year.

Example. You received three employee achievement awards during the year: a nonqualified plan award of a watch valued at \$250, two qualified plan awards of a stereo valued at \$1,000, and a set of golf clubs valued at \$500. Assuming that the requirements for qualified plan awards are

otherwise satisfied, each award by itself would be excluded from income. However, because the \$1,750 total value of the awards is more than \$1,600, you must include \$150 (\$1,750 – \$1,600) in your income.

Differential wage payments. This is any payment made to you by an employer for any period during which you are, for a period of more than 30 days, an active duty member of the uniformed services and represents all or a portion of the wages you would have received from the employer during that period. These payments are treated as wages and are subject to income tax withholding, but not FICA or FUTA taxes. The payments are reported as wages on Form W-2.

Government cost-of-living allowances. Most payments received by U.S. Government civilian employees for working abroad are taxable. However, certain cost-of-living allowances are tax free. Pub. 516, U.S. Government Civilian Employees Stationed

Abroad, explains the tax treatment of allowances, differentials, and other special pay you receive for employment abroad.

Nonqualified deferred compensation plans. Your employer may report to you the total amount of deferrals for the year under a nonqualified deferred compensation plan on Form W-2, box 12, using code Y. This amount isn't included in your income.

However, if at any time during the tax year, the plan fails to meet certain requirements, or isn't operated under those requirements, all amounts deferred under the plan for the tax year and all preceding tax years to the extent vested and not previously included in income are included in your income for the current year. This amount is included in your wages shown on Form W-2, box 1. It's also shown on Form W-2, box 12, using code Z.

Note received for services. If your employer gives you a secured note as payment for your services, you must include the fair market value (usually the discount value) of the note in your income for the year you receive it. When you later receive payments on the note, a proportionate part of each payment is the recovery of the fair market value that you previously included in your income. Don't include that part again in your income. Include the rest of the payment in your income in the year of payment.

If your employer gives you a nonnegotiable unsecured note as payment for your services, payments on the note that are credited toward the principal amount of the note are compensation income when you receive them.

Severance pay. If you receive a severance payment when your employment with your employer ends or is terminated, you must include this amount in your income.

Accrued leave payment. If you're a federal employee and receive a lump-sum payment for accrued annual leave when you retire or resign, this amount will be included as wages on your Form W-2.

If you resign from one agency and are reemployed by another agency, you may have to repay part of your lump-sum annual leave payment to the second agency. You can reduce gross wages by the amount you repaid in the same tax year in which you received it. Attach to your tax return a copy of the receipt or statement given to you by the agency you repaid to explain the difference between the wages on the return and the wages on your Forms W-2.

Outplacement services. If you choose to accept a reduced amount of severance pay so that you can receive outplacement services (such as training in résumé writing and interview techniques), you must include the

unreduced amount of the severance pay in income.

Sick pay. Pay you receive from your employer while you're sick or injured is part of your salary or wages. In addition, you must include in your income sick pay benefits received from any of the following payers.

- A welfare fund.
- A state sickness or disability fund.
- An association of employers or employees.
- An insurance company, if your employer paid for the plan.

However, if you paid the premiums on an accident or health insurance policy yourself, the benefits you receive under the policy aren't taxable. For more information, see Pub. 525, Taxable and Nontaxable Income.

Social security and Medicare taxes paid by employer. If you and your employer have an agreement that your employer pays your

social security and Medicare taxes without deducting them from your gross wages, you must report the amount of tax paid for you as taxable wages on your tax return. The payment is also treated as wages for figuring your social security and Medicare taxes and your social security and Medicare benefits. However, these payments aren't treated as social security and Medicare wages if you're a household worker or a farm worker.

Stock appreciation rights. Don't include a stock appreciation right granted by your employer in income until you exercise (use) the right. When you use the right, you're entitled to a cash payment equal to the fair market value of the corporation's stock on the date of use minus the fair market value on the date the right was granted. You include the cash payment in your income in the year you use the right.

Fringe Benefits

Fringe benefits received in connection with the performance of your services are included in your income as compensation unless you pay fair market value for them or they're specifically excluded by law. Refraining from the performance of services (for example, under a covenant not to compete) is treated as the performance of services for purposes of these rules.

Accounting period. You must use the same accounting period your employer uses to report your taxable noncash fringe benefits. Your employer has the option to report taxable noncash fringe benefits by using either of the following rules.

- The general rule: benefits are reported for a full calendar year (January 1–December 31).

- The special accounting period rule: benefits provided during the last 2 months of the calendar year (or any shorter period) are treated as paid during the following calendar year. For example, each year your employer reports the value of benefits provided during the last 2 months of the prior year and the first 10 months of the current year.

Your employer doesn't have to use the same accounting period for each fringe benefit, but must use the same period for all employees who receive a particular benefit.

You must use the same accounting period that you use to report the benefit to claim an employee business deduction (for use of a car, for example).

Form W-2. Your employer must include all taxable fringe benefits in Form W-2, box 1, as wages, tips, and other compensation and, if applicable, in boxes 3 and 5 as social security and Medicare wages. Although not required,

your employer may include the total value of fringe benefits in box 14 (or on a separate statement). However, if your employer provided you with a vehicle and included 100% of its annual lease value in your income, the employer must separately report this value to you in box 14 (or on a separate statement).

Accident or Health Plan

In most cases, the value of accident or health plan coverage provided to you by your employer isn't included in your income. Benefits you receive from the plan may be taxable, as explained later under *Sickness and Injury Benefits*.

For information on the items covered in this section, other than long-term care coverage, see Pub. 969, Health Savings Accounts and Other Tax-Favored Health Plans.

Long-term care coverage. Contributions by your employer to provide coverage for long-term care services generally aren't included in your income. However, contributions made through a flexible spending or similar arrangement offered by your employer must be included in your income. This amount will be reported as wages in Form W-2, box 1.

Contributions you make to the plan are discussed in Pub. 502, Medical and Dental Expenses.

Archer MSA contributions. Contributions by your employer to your Archer MSA generally aren't included in your income. Their total will be reported in Form W-2, box 12, with code R. You must report this amount on Form 8853, Archer MSAs and Long-Term Care Insurance Contracts. File the form with your return.

Health flexible spending arrangement (health FSA). If your employer provides a health FSA that qualifies as an accident or

health plan, the amount of your salary reduction, and reimbursements of your medical care expenses, in most cases, aren't included in your income.

Note. Health FSAs are subject to a limit on salary reduction contributions for plan years beginning after 2012. For tax years beginning in 2024, the dollar limitation (as indexed for inflation) on voluntary employee salary reductions for contributions to health FSAs is \$3,200.

Health reimbursement arrangement (HRA). If your employer provides an HRA that qualifies as an accident or health plan, coverage and reimbursements of your medical care expenses generally aren't included in your income.

Health savings account (HSA). If you're an eligible individual, you and any other person, including your employer or a family member, can make contributions to your HSA. Contributions, other than employer

contributions, are deductible on your return whether or not you itemize deductions. Contributions made by your employer aren't included in your income. Distributions from your HSA that are used to pay qualified medical expenses aren't included in your income. Distributions not used for qualified medical expenses are included in your income. See Pub. 969 for the requirements of an HSA.

Contributions by a partnership to a bona fide partner's HSA aren't contributions by an employer. The contributions are treated as a distribution of money and aren't included in the partner's gross income. Contributions by a partnership to a partner's HSA for services rendered are treated as guaranteed payments that are includible in the partner's gross income. In both situations, the partner can deduct the contribution made to the partner's HSA.

Contributions by an S corporation to a 2% shareholder-employee's HSA for services rendered are treated as guaranteed payments and are includible in the shareholder-employee's gross income. The shareholder-employee can deduct the contribution made to the shareholder-employee's HSA.

Qualified HSA funding distribution. You can make a one-time distribution from your individual retirement account (IRA) to an HSA and you generally won't include any of the distribution in your income.

Adoption Assistance

You may be able to exclude from your income amounts paid or expenses incurred by your employer for qualified adoption expenses in connection with your adoption of an eligible child. See the Instructions for Form 8839, Qualified Adoption Expenses, for more information.

Adoption benefits are reported by your employer in Form W-2, box 12, with code T. They are also included as social security and Medicare wages in boxes 3 and 5. However, they aren't included as wages in box 1. To determine the taxable and nontaxable amounts, you must complete Part III of Form 8839. File the form with your return.

De Minimis (Minimal) Benefits

If your employer provides you with a product or service and the cost of it is so small that it would be unreasonable for the employer to account for it, you generally don't include its value in your income. In most cases, don't include in your income the value of discounts at company cafeterias, cab fares home when working overtime, and company picnics.

Holiday gifts. If your employer gives you a turkey, ham, or other item of nominal value at Christmas or other holidays, don't include the value of the gift in your income. However, if your employer gives you cash or a cash

equivalent, you must include it in your income.

Educational Assistance

You can exclude from your income up to \$5,250 of qualified employer-provided educational assistance. For more information, see Pub. 970, Tax Benefits for Education.

Group-Term Life Insurance

In most cases, the cost of up to \$50,000 of group-term life insurance coverage provided to you by your employer (or former employer) isn't included in your income.

However, you must include in income the cost of employer-provided insurance that is more than the cost of \$50,000 of coverage reduced by any amount you pay toward the purchase of the insurance.

For exceptions, see *Entire cost excluded* and *Entire cost taxed*, later.

If your employer provided more than \$50,000 of coverage, the amount included in your income is reported as part of your wages in Form W-2, box 1. Also, it's shown separately in box 12 with code C.

Group-term life insurance. This insurance is term life insurance protection (insurance for a fixed period of time) that:

- Provides a general death benefit,
- Is provided to a group of employees,
- Is provided under a policy carried by the employer, and
- Provides an amount of insurance to each employee based on a formula that prevents individual selection.

Permanent benefits. If your group-term life insurance policy includes permanent benefits, such as a paid-up or cash surrender value, you must include in your income, as wages, the cost of the permanent benefits minus the

amount you pay for them. Your employer should be able to tell you the amount to include in your income.

Accidental death benefits. Insurance that provides accidental or other death benefits but doesn't provide general death benefits (travel insurance, for example) isn't group-term life insurance.

Former employer. If your former employer provided more than \$50,000 of group-term life insurance coverage during the year, the amount included in your income is reported as wages in Form W-2, box 1. Also, it's shown separately in box 12 with code C. Box 12 will also show the amount of uncollected social security and Medicare taxes on the excess coverage, with codes M and N. You must pay these taxes with your income tax return. Include them on Schedule 2 (Form 1040), line 13.

Two or more employers. Your exclusion for employer-provided group-term life insurance coverage can't exceed the cost of \$50,000 of coverage, whether the insurance is provided by a single employer or multiple employers. If two or more employers provide insurance coverage that totals more than \$50,000, the amounts reported as wages on your Forms W-2 won't be correct. You must figure how much to include in your income. Reduce the amount you figure by any amount reported in Form W-2, box 12, with code C, add the result to the wages reported in box 1, and report the total on your return.

Figuring the taxable cost. Use Worksheet 5-1 to figure the amount to include in your income.

Worksheet 5-1. **Figuring the Cost of Group-Term Life Insurance To Include in Income**

Keep for Your Records



1. Enter the total amount of your insurance coverage from your employer(s)	1. _____
2. Limit on exclusion for employer-provided group-term life insurance coverage	2. <u>50,000</u>
3. Subtract line 2 from line 1	3. _____
4. Divide line 3 by \$1,000. Figure to the nearest tenth	4. _____
5. Go to Table 5-1 . Using your age on the last day of the tax year, find your age group in the left column, and enter the cost from the column on the right for your age group	5. _____
6. Multiply line 4 by line 5	6. _____
7. Enter the number of full months of coverage at this cost	7. _____
8. Multiply line 6 by line 7	8. _____
9. Enter the premiums you paid per month	9. _____
10. Enter the number of months you paid the premiums	10. _____
11. Multiply line 9 by line 10	11. _____
12. Subtract line 11 from line 8. Include this amount in your income as wages	12. _____

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Table 5-1. Cost of \$1,000 of Group-Term Life Insurance for 1 Month

Age	Cost
Under 25	\$ 0.05
25 through 29	0.06
30 through 34	0.08
35 through 39	0.09
40 through 44	0.10
45 through 49	0.15
50 through 54	0.23
55 through 59	0.43
60 through 64	0.66
65 through 69	1.27
70 and above	2.06

Example. You are 51 years old and work for employers A and B. Both employers provide group-term life insurance coverage for you for

the entire year. Your coverage is \$35,000 with employer A and \$45,000 with employer B. You pay premiums of \$4.15 a month under the employer B group plan. You figure the amount to include in your income as shown in Worksheet 5-1. Figuring the Cost of Group-Term Life Insurance To Include in Income—Illustrated next.

Worksheet 5-1. Figuring the Cost of Group-Term Life Insurance To Include in Income—Illustrated

Keep for Your Records



1. Enter the total amount of your insurance coverage from your employer(s)	1. <u>80,000</u>
2. Limit on exclusion for employer-provided group-term life insurance coverage	2. <u>50,000</u>
3. Subtract line 2 from line 1	3. <u>30,000</u>
4. Divide line 3 by \$1,000. Figure to the nearest tenth	4. <u>30.0</u>
5. Go to Table 5-1 . Using your age on the last day of the tax year, find your age group in the left column, and enter the cost from the column on the right for your age group	5. <u>0.23</u>
6. Multiply line 4 by line 5	6. <u>6.90</u>
7. Enter the number of full months of coverage at this cost	7. <u>12</u>
8. Multiply line 6 by line 7	8. <u>82.80</u>
9. Enter the premiums you paid per month	9. <u>4.15</u>
10. Enter the number of months you paid the premiums	10. <u>12</u>
11. Multiply line 9 by line 10	11. <u>49.80</u>
12. Subtract line 11 from line 8. Include this amount in your income as wages	12. <u>33.00</u>

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