

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

April 26, 2017

Number: **2017-0015**

Release Date: 6/30/2017

CONEX-112092-17

UIL: 61.09-38

The Honorable Tom Marino
Member, U.S. House of Representatives
1020 Commerce Park Drive, Suite 1A
Williamsport, PA 17701

Attention:

Dear Representative Marino:

I am responding to your inquiry dated April 4, 2017, on behalf of your constituent, . His former employer provides him with the economic benefit of the cost of current life insurance protection under a split-dollar life insurance arrangement. asked whether he may use the insurance company's term insurance rates rather than the term premiums listed in Table 2001, Interim Table of One-Year Term Premiums for \$1,000 of Life Insurance Protection, to compute the value of the life insurance protection he must include in his income. He also asked whether he must continue to pay FICA and Medicare taxes on that income now that he is retired and receiving Social Security and Medicare.

Taxpayers may use Table 2001 to determine the value of current life insurance protection on a single life that is provided under a split-dollar life insurance arrangement. Alternatively, for arrangements entered into on or before January 28, 2002, taxpayers, in general, determine the value of current life insurance protection by using the insurer's lower published premium rates that are available to all standard risks for initial issue one-year term insurance (Notice 2002-8, 2002-1 C.B. 398; Rev. Rul. 66-110, 1966-1 C.B. 12, amplified by Rev. Rul. 67-154, 1967-1 C.B. 111).

However, for arrangements entered into after January 28, 2002, and before the effective date of future guidance, for periods after December 31, 2003, the IRS will not consider an insurer's published premium rates to be available to all standard risks who apply for term insurance unless both:

- The insurer generally makes the availability of such rates known to persons who apply for term insurance coverage from the insurer.

- The insurer regularly sells term insurance at such rates to individuals who apply for term insurance coverage through the insurer's normal distribution channels (Notice 2002-8).

The prior sentence would also apply to a split-dollar arrangement entered into on or before January 28, 2002, if the arrangement were modified in such a way that it would be treated as a new arrangement entered into after that date.

Social security taxes and Medicare taxes are imposed under the Federal Insurance Contributions Act (FICA) on "wages" as defined in section 3121(a) of the Internal Revenue Code (Code). The term "wages" is defined for FICA purposes as all remuneration for employment with certain specific exceptions. See section 3121(a) of the Internal Revenue Code.

No general exception from wages for social security tax and Medicare tax purposes applies when an individual has reached a certain age, is receiving social security benefits, or is retired from working. Thus, generally, current life insurance coverage provided by an employer to a former employee that is includible in gross income and is remuneration for past employment remains subject to social security and Medicare taxation after retirement.

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

Sincerely,

Scott K. Dinwiddie
Associate Chief Counsel
(Income Tax & Accounting)