

Imputed benefits are **non-cash benefits** provided by an employer to an employee that have a **monetary value** and are considered **taxable income** by tax authorities, even though the employee doesn't receive actual cash.

➤ **Here's how imputed benefits work:**

1. Definition

Imputed benefits (also called *fringe benefits*) are perks or services provided by an employer that have a value, such as:

- Personal use of a company car
- Group-term life insurance over a certain amount
- Employer-paid gym memberships
- Home Purchase Assistance

2. Valuation

The value of the benefit is "**imputed**" (estimated) and added to the employee's **gross income** for tax purposes. The IRS or local tax authority provides rules for how to calculate the fair market value of these benefits.

3. Tax Implications

Even though the employee doesn't receive cash:

- The value of the benefit is **added to their wages (on Form W-2)**.
- The employee pays **income tax, Social Security, and Medicare** on the imputed amount.
- The employer also pays payroll taxes on it.

4. Example

Let's say your employer provides you with:

- Home purchase assistance is valued at **\$5,000/year**.
- Group-term life insurance coverage of **\$150,000** (only the first \$50,000 is tax-free).

The imputed income might look like this:

- **\$5,000** for home purchase assistance
- **\$120** for the excess life insurance (based on IRS tables)

So, **\$5,120** would be added to your taxable income, even though you didn't receive that amount in cash.

➤ **Here's how taxable income works:**

1. Increases Your Taxable Income

Even though you don't receive cash, the **value of the imputed benefit is added to your gross income**. This means:

- Your **W-2 Box 1 (Wages, tips, other compensation)** will be higher.
 - You'll pay **federal income tax, Social Security, and Medicare** taxes on that higher amount.
-

2. Shows Up on Your Pay Stub and W-2

- On your **pay stub**, you might see a line like “Imputed Group Life” or “Imputed HC-EHPAP.” The amount will be added to the gross pay on your pay stub; this does not increase or decrease your take-home pay.
 - On your **W-2**, the imputed income is included in:
 - **Box 1** (Taxable wages)
 - **Box 3 & 5** (Social Security and Medicare wages), depending on the benefit
 - Sometimes **Box 12** with a code (e.g., Code C for group-term life insurance)
-

3. You Pay More in Taxes

Because your taxable income is higher:

- You may move into a **higher tax bracket** (if the imputed income is large enough).
 - You'll owe **more in taxes** unless your withholdings are adjusted to account for it.
-

Example

Let's say:

- Your salary is **\$80,000**
- You receive **\$2,000** in imputed income (e.g., employee home purchase assistance)

Your **taxable income then becomes \$82,000**, and you'll pay taxes on that full amount.

➤ **Tax Impact**

- You'll pay **income tax, Social Security, and Medicare** on the total imputed amount.
- Your **take-home pay doesn't change**, but your **tax liability increases**.

Pay Period and Salary					
Pay Period	Payment Date	Pay Begin Date	Pay End Date	Pay Rate	Annual Salary
Semi-Month	26-Nov-2025	01-Nov-2025	15-Nov-2025	38.95	65,129.13

Summary					
	Gross	Pre-Tax	Taxes	Deductions	Net Pay
Current	2,960.22	627.68	477.89	0.00	1,643.86
YTD	63,933.69	7,661.82	11,451.03	0.00	40,395.15

Hours and Earnings							
Description	Start Date	End Date	Rate	Current Hours	Current Amount	YTD Hours	YTD Amount
IMPUTED GROUP LIFE				0.00	2.46	0.00	50.76
Bonus				0.00	0.00	0.00	700.00
Salaried Pay			38.95	69.67	2,713.72	1532.67	57,522.32
ExtendedContractPay			892.75	0.04	35.71	0.35	285.68
Imputed HC-EHPAP				0.00	208.33	0.00	4,374.93
VLA Training				0.00	0.00	0.00	1,000.00

Here's your pay stub breakdown over 24 pay periods for an annual salary of **\$65,129.13**. Each pay period reflects gross pay of **\$2,713.72**.

Gross pay: \$2,713.72

Imputed Group Life: \$2.46

Extended Contract Pay: \$35.71

Imputed HC-EHPAP \$208.33 *(this amount (\$5,000/24 pays) is added to gross pay to calculate taxes properly on Form W-2. It does not increase or decrease your take-home pay)*

Current Gross on Pay stub: \$2,960.22

Your take-home pay can be calculated by using your actual gross pay (less taxes, deductions and pre-tax deductions).

Gross pay: \$2,713.71 + Extended Contract Pay \$35.71

Less Pre-Tax: \$627.68

Less Taxes: \$477.89

Net Pay: \$1,643.86 Actual Take Home Pay