



OFFICE OF  
CHIEF COUNSEL

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

December 11, 2005

Number: **INFO 2005-0215**  
Release Date: 12/30/05  
CONEX-156915-05/CC:TEGE:EOEG:ET2  
UIL: 3121.01-12

The Honorable Saxby Chambliss  
United States Senate  
Washington, D.C. 20510

Dear Senator Chambliss:

This letter responds to your request for information dated \_\_\_\_\_, on behalf of \_\_\_\_\_ asks why Federal Insurance Contribution Act (FICA) taxes are deducted on the value of employer-provided term life insurance from his pay check.

For purposes of FICA, Internal Revenue Code (Code) section 3101 imposes a tax on the wages paid by employers to employees with respect to employment. FICA taxes consist of the Old-Age, Survivors and Disability Insurance tax (social security tax) and the Hospital Insurance tax (Medicare tax). These taxes are imposed on both the employer and employee. Sections 3101(a) and 3101(b) impose the employee portions of the social security tax and the Medicare tax, respectively. Sections 3111(a) and 3111(b) impose the employer portions of the social security tax and the Medicare tax, respectively.

“Wages” is defined in Code section 3121(a)(2)(C) to include a payment for group term life insurance to the extent such payment is includible in the gross income of the employee. Code section 79 provides that the cost of employer-provided group-term life insurance shall be included in the gross income of an employee to the extent that that cost exceeds the sum of the cost of \$50,000 of such insurance and the amount (if any) paid by the employee toward the purchase of such insurance.

Thus, the cost of up to \$50,000 of employer-provided group-term life insurance is excluded from an employee’s wages when figuring social security and Medicare taxes. However, the cost of group-term life insurance that is more than the cost of \$50,000 of coverage (reduced by any amount the employee paid toward the insurance) must be included in an employee’s wages subject to social security and Medicare taxes.

This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. See Rev. Proc. 2005-1, § 2.04, 2005-1 IRB 7 (Jan. 3, 2005). If you have any additional questions, please contact  
of our office at .

Sincerely,

Lynne A. Camillo  
Chief, Employment Tax Branch 2  
Office of Division Counsel/Associate Chief  
Counsel (Tax Exempt & Government Entities)