

# Payroll

## Life Insurance Fringe Benefit

### Life Insurance Over \$50,000

The cost of Life Insurance over \$50,000 is considered a fringe benefit to the employee and therefore must be reported on the W2 as a taxable fringe. This dollar amount has to be reported in boxes 1, 3 and 5 on the W2. If the Life Insurance was not set up as a fringe this year, you will have to make the following adjustments:

- Go into the Payroll Module
- Select “6. Employee Maintenance” from the Main Menu.
- Select an employee
- Go to the “Paytype” tab.

#### **To set up a Fringe:**

- Click on “Add”
- Click “Fringe Benefit”
- Choose the Number/Letter that will refer to this Fringe Benefit.
- Click “OK”
- Continue by filling in all information
- In the LTD field enter the dollar amount that it cost you, the employer, for premiums for coverage over \$50,000.00
- Click “Save” to save this Fringe Benefit.
- Click on the “W4” tab
- In the “W4” tab, in the field “Life Insurance Coverage Provided by Employer,” put in the face value of the life insurance policy - i.e. 60,000
- Click “Save” to save.
- Click on the “History” tab.
- In the “History” tab, adjust the employee's FICA and MEDI fields and the employer FICA and MEDI fields.
- Click “Save” to save.
- You will have to manually adjust your 941 for the employee and the employer FICA wages and MEDI wages
- You will also have to do journal entries in the General Ledger for these FICA and MEDI adjustments