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Legislative Changes to Employer-Paid AD&D and C.I.

Effective January 1, 2013, there will be legislative changes to employer paid group accidental death and dismemberment and group critical illness premium. The amount of an employer's contribution under a group plan for these coverages will now need to be included in the employee's income as a taxable benefit for Federal tax purposes. Essentially, this change will treat these coverages the same as life insurance premiums are currently treated.

For those businesses currently practicing 50/50 payment sharing, the plan administrator cannot simply take the total premium and split it 50/50 without checking to ensure that the employee is paying the life, disability (see below), accidental death & dismemberment, and critical illness. In some cases, it doesn't end up being a true 50/50 split as the total of those coverages is equal to more than 50% of an employee's total monthly premium.

In cases where the employee's portion isn't at least the amount of those four coverages, then the employer-paid portion of the premium must go on the employee's T4 as a taxable benefit to them. OR some employers may opt to cover the complete cost of health and dental, and let the employees pay for the remaining benefits, as to avoid the premium becoming a taxable benefit for the employees.

Please contact your local advisor's office with any questions, or for clarification regarding this change.

We're on the Web!

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Disability Premium Tax Implications

In order to keep benefits non-taxable, employees would need to be paying 100% of their disability premium as well:

- If the employer pays the Disability premium, then the benefit becomes taxable when the employee collects (should they become disabled).
- If the employee goes on Disability and has been paying the premium themselves, then the money they receive is NON-TAXABLE!