

OCCUPATIONAL ACCIDENT INSURANCE POLICY TAXATION OF DISABILITY BENEFITS

Disability Benefit payments made to a disabled employee related to an occupational injury may be subject to both social security (FICA) and federal income tax (FIT) federal tax requirements.

FICA

Public Law 97-123 requires that a disabled employee's portion of FICA tax be withheld from any Disability Benefit payments made to a disabled employee for the first six full calendar months of disability following the month in which the disability begins, after which, no further FICA tax withholdings are required. Accordingly, the disabled employee's portion of FICA tax will be deducted from any Disability Payments Starr Indemnity & Liability Company ("SILC") distributes to a disabled employee under your Occupational Accident Policy. SILC will then submit any FIT withholdings to the Internal Revenue Service on the disabled employee's behalf.

A monthly Payroll Withholding Report listing the gross amount of Disability Benefits and the amount of FICA tax withheld for each of your employees receiving Disability Benefit payments will be sent to you to capture the FICA tax withholdings in your payroll system. This report should be used when preparing your Form 941 to determine the employer's matching FICA tax payment to the Internal Revenue Service.

Federal Income Tax

Under Public Law 96-601, a disabled employee can request that FIT be withheld from any Disability Benefit payments SILC distributes under your Occupational Accident Policy. When requested, the amount of FIT withholding as selected by the disabled employee will be deducted from any Disability Benefit payments and submitted by SILC to the Internal Revenue Service on the disabled employee's behalf.

FIT withholdings will also be reported to you on the Payroll Withholding Report which should be used to capture the FIT withholdings in your payroll system.

Year-end W-2 Form

A final Payroll Withholding Report listing any Disability Benefit payments, FICA tax withholding and FIT withholding, as applicable, for the full calendar year will also be sent to you and should be used when preparing the employee's year-end W-2 form.

The monthly and year-end Payroll Withholding Reports serve as the insurer's official notification to you as required by law. If you have any questions regarding the taxation of Disability Benefits, please consult your company's tax advisor.



**Any questions,
just call 800-716-6777
THF will be glad to help.**