

Long Term Disability Plan: Taxable or Non-taxable Premium

The University of Central Arkansas' Long Term Disability plan provides for income replacement of 66.667% of pre-disability earnings in the event you become disabled. Because the university pays the premiums if you become disabled, any approved benefits payable to you are considered taxable income.

To change the taxable nature of your LTD benefit you have an option to make an election to pay taxes on the LTD premium that is paid on your behalf by the university. **WHAT THIS MEANS TO YOU:** If you become disabled, there would be no taxes payable on the LTD benefits you receive. Below are some examples of the taxable nature of the LTD plan. Please review this information carefully before making your election below.

If you elect taxable premium, you will be taxed on the premium that the university pays for your Long Term Disability coverage. The cost impact to you will be based on your individual income tax bracket; however, the following are some examples of how the non-taxable and taxable LTD benefits work.

Examples – Employee Pays Taxes On PREMIUM

Annual Salary Taxable Wages	Taxable Income LTD Monthly Premium Amt.	Estimated Monthly Taxes	Net Pay with Non-Taxable LTD Benefits
\$30,000	\$5.25	\$1.16	\$20,000
\$40,000	\$7.00	\$1.54	\$26,668
\$60,000	\$10.50	\$2.31	\$40,000

Examples – Employee Pays Taxes On BENEFIT

Annual Salary Taxable Wages	Taxable Income LTD Monthly Premium Amt.	Estimated Monthly Taxes	Net Pay with Taxable LTD Benefits
\$30,000	\$5.25	\$0	\$17,800
\$40,000	\$7.00	\$0	\$23,734
\$60,000	\$10.50	\$0	\$35,601

No matter what choice you make, the University will continue to pay the LTD premiums on your behalf. If you elect the taxable premium, and you have a disability which is approved by the carrier and you earn an annual salary of \$40,000, your annual Long Term Disability pay would be \$26,668 versus \$23,734. If you elect the non-taxable option, the estimated annual cost to you, in the form of taxes, would be \$18.48. Your taxes would change in future years, depending on your salary and the insurance rate. The result would be an improved benefit for very little cost to you.

Please note that should you become disabled and receive approval for Social Security Disability, the amount you receive from the UCA Disability Plan will be offset by the amount you receive from Social Security Disability up to 66.667% of your annual salary. If the amount you receive from Social Security Disability is equal to or greater than 66.667% of your salary, the UCA Disability Policy will pay you a \$100 per month minimum benefit.

ELECTION:

- Effective January 1, 2014, I elect to pay taxes on my LTD premium in order to have a tax-free benefit should I become disabled.**

- Effective January 1, 2014, I elect to not pay taxes on my LTD premium understanding my benefit will be taxed should I become disabled.**

I understand that my decision today is irrevocable for the duration of my benefits eligible employment.

Signature

Print Name

Date