

# *The Commonwealth of Massachusetts*



*Department of Revenue*

*Lowell Saltonstall Building,*

*100 Cambridge Street, Boston 02204*

L. JOYCE HAMPERS  
COMMISSIONER

May 17, 1982

Your client ("Employer") has a pension plan ("Plan") qualified under Section 401 of the Internal Revenue Code ("Code"). The Plan provides eligible employees with retirement benefits and life insurance coverage equal to \$1,000 for each \$10 of prospective monthly retirement benefits. The proceeds of the insurance contracts are payable to the beneficiary designated by the employee.

Contributions are made by the Employer to a trust under the Plan and are deductible by the Employer under Section 404 of the Code. The trust is exempt from taxation under Code Section 501.

You ask whether amounts paid under the Plan for the purchase of life insurance contracts are includible in the Massachusetts gross income of the employee.

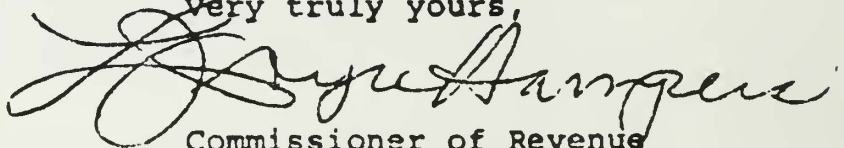
For federal income tax purposes amounts applied under a qualified pension plan to the purchase of life insurance contracts are includible in the gross income of the employee for the taxable year or years when such amounts are applied. (I.R.C. s. 72(m)(3)(B)).

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Massachusetts gross income is federal gross income with certain modifications. (G.L. c. 62, s. 2). Section 2(a)(2)(F) excludes from gross income "income from annuity stock bonus, pension, profit-sharing, annuity or deferred-payment plans or contracts described in Section four hundred and four of the Code, ...until an aggregate amount of such income has been deducted under this subparagraph equal to the aggregate of all amounts previously subjected to taxation under this chapter."

Based on the foregoing it is ruled that amounts under a qualified pension plan which are applied to the purchase of life insurance contracts are includible in the Massachusetts gross income of the employees to the extent that they are includible in the federal gross income of the employees.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Raymond A. Anger".

Commissioner of Revenue

LJH:RSF:mf

LR 82-50