Are premiums paid on business life insurance taxable income to an insured?

Premiums generally are not taxable to an insured if the insurance is purchased for the benefit of the business and the insured has no interest in the policy. Thus, premiums paid on key person life insurance, where an employer is both owner and beneficiary of the policy, are not taxable to the insured employee.[[1]](#footnote-1)

If life insurance premiums are paid by an employer on a policy insuring the life of an employee and the proceeds are payable to a beneficiary of the employee, there generally is some taxable income to the employee. There are exceptions to this general rule in the case of group life insurance and qualified pension and profit sharing plans .

1. *Casale v. Comm.*, 247 F.2d 440 (2d Cir. 1957); *U.S. v. Leuschner*, 14 AFTR 2d 5599, 336 F. 2d 246 ( 9th Cir 1964) *Lacey v. Comm.*, 41 TC 329 (1963), *acq.* 1964-2 CB 6; Rev. Rul. 59-184, 1959-1 CB 65. [↑](#footnote-ref-1)