

Federal taxable wages are determined by the following calculation:

Gross income

MINUS any before-tax deductions (401(k), certain health benefit deductions, FSA, Dependent Care FSA and other Section 125 deductions)

PLUS and imputed income, (the value of a benefit you receive which the IRS requires the employer to show as taxable income. For example, group term life insurance, gifts, prizes, awards, taxable moving expenses, personal use of company car, and other benefits.