



# POP Kit Section 125

**Premium Only Plan (POP)** - Is one of the simplest benefits an employer can offer, and it delivers real savings to employees and their company. By allowing employees to pay their portion of premium costs BEFORE taxes, employees typically save 25% or more and the employer benefits from nearly 8% in FICA savings. However, to deduct employee premium costs pre-tax, you MUST have a plan document.

By taking advantage of Section 125 of the Internal Revenue Code, employers can save money for their employees and themselves. The Section 125 kit is available to all HealthPass groups, to obtain your kit today visit <http://www.accrueresolutions.com/healthpass-ny-pop-app.html>

The kit includes everything you need to start and maintain your plan:

- Answers to frequently asked questions
- An implementation checklist
- Election waiver form
- Customized plan document
- Signature - ready board resolution
- Employee Summary
- Compliance Guidelines

**Employer Benefits and Examples of Savings** - Employers can save money on their annual payroll taxes of social security, FUTA and SUTA. By allowing employees to contribute to their health coverage on a pre-tax basis, employers no longer pay these payroll taxes on the pre-tax contribution to the health insurance premium.

**Employee Benefits and Example of Savings** - Employees also get to participate in the savings when a Section 125 Plan is put into place. By using pre-tax dollars to pay for their coverage, employees reduce their taxable income, thus limiting the amount of withholding.

	Without Plan	With Plan	Without Plan	With Plan	Without Plan	With Plan
Annual Payroll	\$300,000	\$300,000	\$400,000	\$400,000	\$500,000	\$500,000
Annual Pre-Tax Employee Contribution	\$0	\$21,000	\$0	\$28,000	\$0	\$35,000
Annual Taxable Payroll	\$300,000	\$279,000	\$400,000	\$372,000	\$500,000	\$465,000
Annual FICA Tax (9.93%)	\$29,790	\$27,704	\$39,720	\$36,939.60	\$49,650	\$46,174.50
Annual FICA Savings from Pre-Tax Contribution	\$0	\$2,085	\$0	\$2,780.40	\$0	\$3,475.50

	Without Plan	With Plan	Without Plan	With Plan	Without Plan	With Plan
Annual Income	\$30,000	\$30,000	\$40,000	\$40,000	\$50,000	\$50,000
Annual Pre-Tax Employee Contribution	\$0	\$1,500	\$0	\$2,000	\$0	\$2,500
Taxable Income	\$30,000	\$28,500	\$40,000	\$38,000	\$50,000	\$47,500
Estimated Taxes (40.48%)	\$12,144	\$11,536.80	\$16,192	\$15,382.40	\$20,240	\$19,228
Annual After-Tax Employee contribution	\$1,500	\$0	\$2,000	\$0	\$2,500	\$0
Net Take Home Pay	\$16,356	\$16,963.20	\$21,808	\$22,617.60	\$27,260	\$28,272
Annual Employee Savings from Pre-Tax Contribution	\$0	\$607.20	\$0	\$809.60	\$0	\$1,012

**Note:** While paying for the employee portion of the medical and dental premiums under a Section 125 plan is encouraged, it is suggested that employees do not use pre-tax dollars to pay for EverGuard or EverGuard Plus coverage as it will result in a taxable disability benefit. Consult your accountant or tax-advisor for further clarification.