

Section 125 Cafeteria Plan

Flexible Spending Accounts



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Dependent Daycare Accounts

Adoption Assistance Accounts

Commuter Benefit Accounts

Payroll-Deducted Insurance Premiums



TAX SAVINGS FOR YOU AND YOUR EMPLOYEES

What are Flex Accounts?

Sometimes referred to as flexible spending accounts, cafeteria plans, Section 125 plans, or flex plans, flex accounts let employees set aside a portion of each paycheck into an account – before paying income taxes.

During the year, employees use their account to pay for expenses like healthcare, dependent daycare, and commuting to and from work. Payments and reimbursements for qualified expenses are tax-free.

How will my Employees Save Money?

The portion of salary which an employee directs to the plan is not taxed. The employee saves:

1. Federal Income Tax
2. State and Local Taxes (where applicable)
3. Social Security Tax (assuming the employee's salary is below the maximum social security wage base)

Employees will save 25% - 40% in taxes for every dollar they elect.

What happens to the money an employee puts into flex plan?

The employee's payroll deduction is "banked" in a flex account maintained for the employee. Qualified expenses incurred by the employee are paid tax-free from dollars "banked" in the account.

Who can sponsor a flex plan?

Regular corporations, partnerships, S corporations, limited liability companies (LLC's), sole proprietors, professional corporations, and not-for-profits can all save money on taxes by establishing a flex plan.

While regulations prohibit a sole proprietor, partner, members of an LLC, or individuals owning more than 2% of an S corporation from participating in the flex plan, they may still sponsor the plan and benefit from the savings on payroll taxes.

ADVANTAGES TO EMPLOYERS

You'll save payroll taxes

You'll save approximately 8% on every dollar employees set aside from their paychecks to budget for their flex plan. (This is true for employees earning less than the maximum amount taxed for social security.)

Cushion health insurance rate increases

Many employers are passing along a portion of healthcare premiums to employees. A flex plan can be implemented with a simple change that will lessen the impact on an employee's paycheck.

Lower your health insurance costs

An employer's insurance cost can be lowered by coordinating changes to your health plan with the installation of a flex plan.

Plan fees can be paid by employer or participants

Administrative costs are tax deductible and can be paid by you or your employees. Fees can also be collected by pre-tax payroll deduction from the employee's flex plan account.

Example of employer savings

ABC Group has 100 Employees	Without a Flex Plan	With a Flex Plan	Your Group
Annual Payroll	\$ 3,000,000	\$ 3,000,000	_____
Employee-Paid Premiums		- 240,000	_____
Healthcare Expenses		- 37,500	_____
Day Care Expenses		- 50,000	_____
Transit Expenses		- 36,000	_____
Parking Expenses		- 45,000	_____
Taxable payroll	\$ 3,000,000	\$ 2,591,500	_____
FICA Tax (7.65%)	\$ 229,500	\$ 198,250	_____
Savings		\$ 31,250	_____

* Based on typical plan participation

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EMPLOYEES SAVE 25% to 40% ON EVERYDAY ITEMS

The list of IRS qualified items just keeps getting bigger!

Over-the-counter medicines, co-pays at the doctors and pharmacies, contact lenses, prescription sunglasses, LASIK eye surgery, dental sealants, braces for teeth, prescribed weight loss programs, before and after school child care, pre-k, day camp for kids under 13, daycare for dependent elders, cost of parking and mass transit to/ from work.

The IRS has great flex account options to meet your needs.

1. Healthcare Account Options

FSA – Flexible Spending Accounts allow employees to set aside a portion of their paychecks (before taxes) into an account to pay for expenses not covered by another health plan. Participants can use their FSA to pay for eligible items.

2. Daycare Account Options

Daycare Accounts - Employees set aside pre-tax payroll deductions in this account to budget for the daycare expenses of a dependent child under the age of 13. This account is also used to budget for the expenses of a dependent adult who cannot physically or mentally care for themselves.

3. Adoption Assistance Accounts

are for expenses paid to adopt a qualified child. Employees set aside pre-tax payroll deductions to pay expenses for home study and application fees, legal adoption fees, court costs, attorney fees, agency fees, medical services and counseling, travel and lodging fees, and other expenses which are directly related to, and the principal purpose of which is for a legal adoption.

4. Commuter Benefit Accounts

Through payroll deduction employees contribute to an account that saves 25% to 40% on the expense of parking near their place of employment and travel to and from work.

5. Insurance Premiums

The Premium Only Plan is for employers who share in the cost of insurance premiums with employees. Premiums may include an employee's share of employer-sponsored health, dental, and group-term life coverage.

6. Take Care Flex Benefits Card

With the take care flex benefits card, participants can pay qualified expenses directly from their flex accounts; meaning they don't have to reach into their pocket to pay qualified expenses and then wait for reimbursement.

NOW, JUST ABOUT EVERY EMPLOYEE WILL SAVE BY SIGNING UP

Take a look at three typical examples. While everyone is different, they all enjoy big tax savings.

Single Without Dependents	
Co-pays to doctors and pharmacies	\$ 135
Drugs (OTC and prescription)	540
Eye exams and LASIK	80
Prescribed sun and eye glasses	200
Dental cleanings, fillings and x-rays	160
Quit smoking program	125
Subway or bus to work	444
TOTAL BUDGETED EXPENSES	\$ 1,684
Annual Savings \$421 - \$674	

Young Couple with Two Children	
Co-pays to doctors and pharmacies	\$ 210
Drugs (OTC and prescription)	720
Eye exams and LASIK	160
Prescribed sun and eye glasses	400
Dental cleanings, fillings and x-rays	320
Sealants, crowns and bridges	200
Braces, spacers and retainers	1,500
Chiropractic and podiatrist fees	910
After school care, day camp & pre-k	4,080
Parking located near place of work	444
TOTAL BUDGETED EXPENSES	\$ 8,944
Annual Savings \$2,236 - \$3,578	

Mature Couple with Dependent Elder	
Co-pays to doctors and pharmacies	\$ 360
Drugs (OTC and prescription)	1,260
Eye exams and LASIK	2,120
Prescribed sun and eye glasses	800
Dental cleanings, fillings and x-rays	240
Dentures, sealants & bridges	1,200
Chiropractic and podiatrist fees	910
Physical Therapy	1,560
Quit smoking program	125
Weight loss program (specific cond)	520
Elder daycare for dependent adult	5,000
Parking located near place of work	444
TOTAL BUDGETED EXPENSES	\$14,539
Annual Savings \$3,635 - \$5,816	

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Administration and Enrollment Solutions

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A Leader in Benefit Administration and Enrollment Communications

Founded in 1985, The Advantage Group is a unique and meticulous Section 125 Cafeteria Plan, COBRA, Health Reimbursement Account, and Retirement Plan Administrator, as well as a trusted provider of the highest quality voluntary products for the workplace. Our dedicated account service teams are unequalled when providing flexible solutions for our partners administrative and enrollment needs. In an industry where support equals satisfaction, TAG is consistently recognized as a pinnacle of excellence.

Through the integration of performance based technology and dedicated client management, TAG offers administration and enrollment solutions that are as user-friendly for benefit specialists as they are for employees. Our administration and enrollment plans include...

- Reimbursement Accounts
- Voluntary Benefit Offerings
- Commuter Benefits
- COBRA Administration
- Retirement Solutions

The Advantage Group is proud to be a chosen provider for many leading organizations across the nation. Lead by a management team with over five decades of experience in consumer-oriented benefits, TAG continues to set industry standards in plan administration and enrollment services.

