



SECTION 125 ADMINISTRATION

TAX-FREE
PREMIUM PAYMENTS FOR EMPLOYEES



Employee
Benefits
Corporation

The BESTflexSM Plan Premium Only in **60 seconds**

Employees pay for
Group Medical Premiums
tax-free.

First Year Program

It takes 2-3 weeks for Employee Benefits Corporation to implement the Premium Only Plan once we receive a signed BESTflex Plan Service Agreement.

There are 2 steps to fully implementing the plan:

Step 1

The client completes Employee Benefits Corporation's BESTflex Plan Service Agreement and submits it to us

Step 2

Employee Benefits Corporation sends the client the legal plan documents

What is the Premium Only Plan?

A Premium Only Plan (POP) is the BESTflex Plan with payroll-deducted group medical insurance premiums. There are no Flexible Spending Accounts (FSAs).

How can the Premium Only Plan be tax-free?

The plan is governed by Section 125 of the Internal Revenue Code, which allows tax-free group insurance premium payments.

What are some Premium Only Plan benefits?

Because the Premium Only Plan allows for pre-tax payroll deductions, employees do not have to pay federal, FICA or, in most cases, state payroll taxes on dollars put through the plan. Employers also avoid paying FICA taxes on those dollars.

What services are included with the Premium Only Plan?

We provide the plan document, plan document updates, account set-up, annual nondiscrimination test, information materials and required forms.

What types of premiums can be deducted pre-tax?

Medical, dental, vision, group term life*, cancer, accident and disability insurance premiums, as well as employee contributions** to Health Savings Accounts (HSAs), are eligible to be deducted pre-tax.

How long does it take to set up a Premium Only Plan?

It takes 2-3 weeks after the submission of the BESTflex Plan Service Agreement.

* Employee only, up to \$50,000

** Subject to state taxes in some states

The BESTflexSM Plan Premium Only

lets employers
save Social Security taxes
and gives employees a legal tax break.



Jerry works a full-time job and, along with his wife, supports two children. He's also a participant in the Premium Only Plan, which is the BESTflex Plan without any flexible spending accounts (FSAs). In using this plan, Jerry and his employer take advantage of legal tax breaks.

They both end up saving money.

Imagine that Jerry makes \$3,000 in a month and pays a \$200 medical premium. Under the Premium Only Plan, the \$200 is deducted from his pay before it is taxed. Only \$2,800 of Jerry's monthly income is taxed, which means he pays \$840 and keeps \$1,960. Without the Premium Only Plan, Jerry's entire monthly income is taxed. He pays \$900 in taxes and the \$200 premium and takes home \$1,900.

Over the course of a year, Jerry is reminded of the savings that initially drew him to the Premium Only Plan. In the end, he takes home \$23,520. The Premium Only Plan saves him \$720.

Jerry's employer, too, saves by not having to pay Federal Insurance Contributions Act (FICA) taxes on the dollars a participant puts toward the Premium Only Plan. In Jerry's case, the employer doesn't have to pay 7.65% for every dollar in the Premium Only Plan; that results in savings of \$15.30 per month and \$183.60 per year.

In short, both sides win.

Without the BESTflex Plan Premium Only:

\$ 3,000.00 Gross Pay
- 900.00 Taxes

\$ 2,100.00 Premium Expenses
-200.00 Monthly Take-Home

\$ 1,900.00 Annual Take-Home

With the BESTflex Plan Premium Only:

\$ 3,000.00 Gross Pay
-200.00 Premium Expenses

\$ 2,800.00 Taxes
- 840.00 Monthly Take-Home

\$ 1,960.00 Annual Take-Home

\$ 23,520.00 Annual Savings
\$ 720.00 Annual Savings

Jerry and the
BESTflex Plan Premium
Only saved his employer
\$183.60 per year in
Social Security taxes.

Note: The salary and tax example above is a broad approximation of tax liability. You should consult a tax advisor for help with your own situation. Current IRS tax laws control all BESTflex Plan matters.

Why choose Employee Benefits Corporation?

We strive to exceed customer expectations and, using our vision, our technology and our people, can ensure the success of benefits programs.

Employee Benefits Corporation is employee-owned. As owners, the priority of each of our team members is to contribute to our customers' success. We do this by sharing a wealth of technical expertise, providing exceptional administration services and exercising creative plan design.

Every day, our professional, in-house Client Services Team efficiently answers hundreds of questions from participants who want to use their benefit programs effectively. Working with employers throughout the United States, our Client Liaisons share their knowledge and experience so our clients' plans are managed accurately, compliant with all regulations and of maximum value to all participants.

Our Sales Team is comprised of benefits experts, whose experience makes the difference between difficult-to-manage plans with little benefit and well-designed plans that offer real value to both employers and their participants.

How the **BESTflex Plan Premium Only** works

A legal tax break

The Premium Only Plan lets participants take advantage of a legal tax break. Before taxes are taken from their pay, participants have their insurance premium payment deducted from their paycheck.

Premium Only Plan (POP)

As its name suggests, the Premium Only Plan consists only of the payroll-deducted group medical insurance premiums and allows participants to pay the premiums for employer-sponsored medical benefit plans with pre-tax dollars. The premium contribution is deducted from participants' paychecks before their pay is taxed.

Group Premiums Participation rules

Participants have their insurance premiums deducted from their paycheck pre-tax for business-sponsored group insurance plans.

Participation rules

The IRS prohibits certain owners and their immediate family members from participating in Section 125 plans. These include:

- More than 2% shareholders in a Subchapter S Corporation, as well as their spouses, parents, children and grandchildren

- Partners in partnerships, including Limited Liability Partnerships (LLPs) and Limited Liability Corporations (LLCs) that operate under partnership rules (spouses and dependents are eligible if they are employees) *

- Sole proprietors (spouses and dependents are eligible if they are employees) *

* While owners may not participate, employees of these types of businesses may participate.

For more information

Contact Employee Benefits Corporation if you have any questions or would like to implement the BESTflex Plan.

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