

PREMIUM ONLY PLANS



HOW IT WORKS

<i>Employee Tax Savings Example</i>		
	WITHOUT POP	WITH POP
Average Monthly Salary	\$4,000	\$4,000
Taxable Income (<i>before Medical Expenses</i>)		
Less Estimated Federal Tax (20%)	\$800	
Less Estimated FICA (7.65%)	\$306	
Health Benefit Expenses		
Less Medical Premium	\$250	\$250
Less Disability Premium	\$25	\$25
Less Other Supplemental Premium	\$25	\$25
Less Out-of-Pocket Flex Expenses	\$50	\$50
Taxable Income (<i>after Medical Expenses</i>)		
Less Estimated Federal Tax (20%)		\$730
Less Estimated FICA (7.65%)		\$279
Spendable Income	\$2,544	\$2,641
<i>Monthly Savings</i>		\$97
<i>Yearly Savings</i>		\$1,161

The Premium Only Plan (POP) offers employers and their employees great tax benefits!

An Employer can offer a tax-favored option to employees and at the same time lower the employer's payroll taxes. A POP plan doesn't really create new benefits, instead, under IRS Section 125, it allows employees to pay any premium contributions for certain employee benefits with pre-tax dollars.

Groups can save their employees 15-40% of their premium contribution for their insurance benefits.

When an employee signs the pre-tax document, premium contribution amounts are automatically deductible from their salary ***BEFORE*** taxes are calculated, which lowers the income amount.

Once the pre-tax income is lowered, the group will contribute less to Social Security and Medicare payroll taxes. State taxes may also be lowered if the state recognizes POP plans.

As stated on irs.gov - a section 125 plan is the only means by which an employer can offer employees a choice between taxable and nontaxable benefits without the choice causing the benefits to become taxable.

<https://www.irs.gov/government-entities/federal-state-local-governments/faqs-for-government-entities-regarding-cafeteria-plans>

Employers offering Section 125 benefits to their employees are responsible for the Plan Administration. Section 125 Services offered through Owen Rose Benefits are consultative only.