

The Premium Only Plan (POP) Section 125

The Premium Only Plan lets you cut payroll taxes without cutting your payroll. The LIA Health Alliance has selected HSP to administer this tax saving program.

The Internal Revenue Code Section 125 Premium Only Plan (POP) saves you and your employee's money by reducing payroll taxes. It works by making one simple adjustment in your payroll process: Employees pay their portion of insurance premiums on a pre-tax basis rather than an after-tax basis.

The Premium Only Plan reduces your taxable payroll by reducing your employee's taxable income. So both you and your employee pay less in taxes.

- Employees don't pay FICA, Federal, or where applicable, state or local taxes on money used to pay for their portion of employer-sponsored insurance premiums.
- Employees' tax savings help to defray the cost of insurance premiums.
- Employees can increase their take-home pay.
- The Premium Only Plan reduces your taxable payroll by the total amount of employee contributions for benefits. Lower taxable payroll means lower payroll taxes.
- You can increase your employees' share of insurance premiums without negatively affecting their take-home pay.

Who can sponsor a POP Plan?

Regular Corporations, Partnerships, S-corporations, Limited Liability Companies, Sole Proprietors, Professional Corporations and Not-For-Profits can all save money on payroll taxes with a POP plan. While regulations prohibit a sole proprietor, partner, members of an L.L.C (in most cases), or individuals owning more the 2% of an S-Corporation from participating in the POP Plan, they may still sponsor a plan and benefit from the savings on payroll taxes.

How do I enroll my company?

Simply indicate on your Employer Agreement that you would like to establish a Section 125 (POP) plan for your company. There is an initial set up charge of \$300 to establish the program and a renewal charge of \$250 for continued discrimination testing. Please prepare a separate check for \$300 made payable to LIA Health Alliance and include it with the submission of your Employer Agreement. HSP will utilize the information on the Employer Agreement to begin the POP application process. The TPA will send the employer Administrative Guidelines, Personalized Plan Document, a Summary Plan Description and Election Forms.

**For Information Please Call:
HSP Customer Service Representative at 1-800-542-5513**

**Internal Revenue Code Section 125
Premium Only Plan (POP)**

Product Overview

POP Application Cost

There is a \$300 original application set-up fee; please prepare a separate check for \$300 made payable to LIA Health Alliance and include it with the submission of your Employer Agreement. At renewal, a fee of \$250 will be charged for continuing POP discrimination testing. Note: Discrimination is generally only a problem in very small companies, if the key employee(s) want to participate, but the rank-in-file does not.

Bottom Line Impact

The POP plan saves the employer the **FICA contribution (7.65%) on every dollar** that the employees contribute to pay for health and dental insurance.

The POP plan allows employees to save on Federal, State and FICA taxes on the portion of health and dental insurance premiums that they pay for.

Product Implementation Guidelines

The Personalized Small Business Plan document, the employee announcement letter, the employee election forms and the discrimination test results should be kept in a safe place and/or given to your Human Resources person, your CPA, your tax advisor or your payroll service company (if appropriate). You should also develop company procedures that protect the HIPAA privacy rights of your employees in regard to the above.

Guidelines for Implementing the Premium Only Plan with your payroll system:

- a. Employees' premium contributions should automatically be deducted from their salaries before taxes are taken out.
- b. Taxable income is reduced by the amount contributed, so employees pay less in taxes and have more take home pay.
- c. Employers pay less in Social Security (FICA) payroll taxes, with employee pre-tax income lowered.
- d. You should consult with your tax advisor.

Please call HSP at 1-800-542-5513 for more information.

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Product Application Process

- I. Employer checks Section 125 Box on the Alliance's Employer Agreement and sends a separate check made payable to LIA Health Alliance for \$300 to:

LIA Health Alliance
48 South Service Road
Suite 301
Melville, NY 11747
1-800-542-5513

- II. HSP uses the information on the Employer Agreement to begin the application process. ***Please provide a valid email address when completing the Employer Agreement.***
- III. The TPA will send the employer the following documents:
- a. Employer Welcome Letter
 - b. Employee Announcement Letter
 - c. Personalized Plan Document
 - d. Summary Plan Description for employees with questions and answers.
 - e. Employee Election Forms.