



KEEP YOUR UNCLE ON A SHORT LEASH



FlexBank Section 125 / Premium Only Plan Document Application

Section 125 of the IRS Code gives employers the opportunity to permit employees to pay for group insurance premiums and health savings account contributions on a pre-tax basis through salary deduction. In order to have a valid Section 125 plan, the IRS says you must have a written plan document and summary plan description (SPD).

The Benefit of a Section 125 Plan

- **25% Income Tax Savings for Employees:** Employees do not pay federal, state, local or Social Security taxes. (You should check with your accountant for state & local taxes other than Ohio.)
- **8% Payroll Tax Savings for Employers:** The employer does not have to match Social Security taxes nor worker's compensation premiums (in Ohio) on employee contributions.

Getting started is easy for a fee of \$300.

Mail the completed application + \$300 check payable to FlexBank, Inc. to 1250 W Dorothy Lane, Suite 107 Dayton, OH 45409. FlexBank will then forward the plan document and summary plan description to you.

Legal Employer Name:		Employer Federal EIN:		State Incorporated:	
Street Address:			City:		State: Zip:
Contact Name:		Email Address:		Phone Number:	
<input type="checkbox"/> C Corp	<input type="checkbox"/> S Corp	<input type="checkbox"/> Partnership / LLP	<input type="checkbox"/> Sole Proprietor	<input type="checkbox"/> Non-profit _____	
<input type="checkbox"/> Church	<input type="checkbox"/> Government	<input type="checkbox"/> School (public)	<input type="checkbox"/> School (private)	<input type="checkbox"/> PSC (note if file as a C or S) _____	
<input type="checkbox"/> LLC (note if file as Partnership, C or S) _____		<input type="checkbox"/> Other _____			
Is your health insurance plan self-funded? Yes <input type="checkbox"/> No <input type="checkbox"/>	Health Insurance Renewal Date:	Is this a restatement? Yes <input type="checkbox"/> No <input type="checkbox"/>	If yes, what was the original effective date? _____ If yes, what was the original plan number? 501, 502, etc. _____		
Do you offer taxable wages for employees who waive your group health plan or for any other reason related to health and welfare benefit offerings? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, are the benefits paid per pay or lump sum? _____ If yes, what are the conditions required to receive the extra compensation? _____					Desired Effective Date
Affiliated Employer(s)? If yes (you may attach an additional page with this information as well): Legal Name _____ Corp Type & Federal EIN _____ Address _____					
Date		Signature			
Who referred you to FlexBank? Please note name and phone number.					

Do you have 100+ participants in any of your group insurance plans? Let FlexBank file your Form 5500!

Contact us! 888.677.8373 ~ Compliance@FlexBank.net

Frequently Asked Questions + Answers

What is a Section 125 plan?

Section 125 is the part of the Internal Revenue Code that allows employees to pay for certain group benefits with pre-tax dollars. The plan does not provide any benefits as such, but rather permits employees to pay for the coverage pre-tax.

These plans are commonly called premium only plans (POP) or Section 125 plans.

Who can establish a Section 125 plan?

A Section 125 plan may be established for any single employer or certain "related" employers. The employer sponsoring the plan may be of any ownership form (sole-proprietor, corporation, partnership, etc.).

Does a Section 125 plan need specific language to allow contributions pre-tax to a health savings account (HSA)?

Yes. A contribution to a health savings account (HSA) is not an insurance premium. It is a deposit to a savings account. Section 125 plans traditionally only contain language for group insurance premiums. In order to permit employees to contribute pre-tax to an HSA, the plan must be updated to include the required language. FlexBank's document package comes standard with the proper HSA contribution language.

Must employers report information on W-2s?

Starting in tax year 2012, the Affordable Care Act requires employers filing 250+ Forms W-2 for the preceding calendar year to report the aggregate reportable cost of applicable employer-sponsored health insurance coverage provided on each employee's W-2 in box 12 using code DD. Aggregate reportable cost does not include amounts contributed to HSAs, the amount of any salary reduction election to a health Flexible Spending Account (FSA), or the cost of coverage under a Health Reimbursement Arrangement (HRA).

You should check with your tax advisor and/or payroll service as to if the transition relief still applies and if you must report this information.

Which insurance premiums may be paid pre-tax?

- Group health insurance
- Dental and vision insurance
- Disability - *If contributions are made pre-tax, the benefit paid is taxable.*
- Group term life (max \$50,000)
- Voluntary benefits (i.e. cancer policies) - *If contributions are made pre-tax, the benefit paid is taxable. In addition, many employers only permit post-tax payment for these premiums post-tax due to the "qualifying event" restrictions of a 125 plan. See the last question on this page.*

Please note, individual insurance premiums may not be paid or reimbursed on a pre-tax basis through this plan.

When can an employer begin this plan?

Employers may start the plan at any time during the year. The plan must be in writing and adopted prior to the effective date.

What is the plan year?

The plan year is the 12-month period of time governing the plan's operation.

What are the eligibility requirements for the Section 125 plan?

The plan's eligibility requirements should be the same as your group insurance plan(s). Employees will become eligible for the Section 125 plan on the same date as they are eligible for the group insurance plan.

While FlexBank's documents include language automatically enrolling employees in this pre-tax program when they sign up for the group insurance, many employers obtain a signed and dated enrollment form before an employee's first pre-tax payroll deduction. FlexBank will provide you with an enrollment form along with your document package.

Which employees can participate in the plan?

Any employee meeting the eligibility requirements can participate in a Section 125 plan. However.....

Owners: Only owners of a "C" corporation may participate in a Section 125 plan. Sole proprietors, partners within a partnership, owners of an LLC (filing as an S or a partnership), owners of an LLP and more than 2% owners of an S-Corporation are prohibited from participating.

Owners' Family Members: Rules of attribution apply to S corporations, thus more than 2% owner's spouses, parents, children and grandchildren may **not** participate. Family members of C corporations, sole proprietors and partners in a partnership **may** participate in the plan.

Are these plans subject to non-discrimination rules?

The IRS extends a safe harbor for certain premium only plans where only pre-tax salary contributions for premiums (no HSA contributions) are provided. However, the ownership rules discussed above are still applicable as well as the eligibility rules (all eligible employees can participate and can elect the same salary reductions for the same benefits regardless of their position within the company). If you do not meet the safe harbor, a series of tests must be completed.

FlexBank can help. We will test your plan, offer solutions if your plan does not pass, and provide written results. Contact our Compliance Department via phone 937-299-5515 or email Compliance@FlexBank.net for more information.

Do all employees have to participate?

This depends on plan design. Some employers may choose to make participation in this pre-tax benefit mandatory. Others may make it voluntary. Another variation is to make participation automatic unless the employee opts out in writing.

What if an employee elects to participate and later changes his or her mind?

Employee elections must be made prior to their eligibility effective date or at the beginning of any plan year. Employee elections are binding for the plan year unless the employee has a qualifying or life event (i.e. marriage, divorce, birth, etc.) or a significant increase in cost or modification of coverage under an insurance benefit.