

Premium Only Plans

A Premium only Plan allows employers to withhold the employee's portion of health insurance premiums from an employee's pay check using PRE-tax dollars

This reduces an employee's tax liability AND saves the employer - FICA and Medicare

Reasons we are discussing POPs

- 1). We have found that some parishes are using after tax dollars
 - Help your employee reduce their taxes
 - Fees for the set up / plan are offset by the FICA savings
 - Allows time to set up the plan for 1/1/23

- 2). Making sure those currently using Pre-tax dollars are compliant.

Documentation is Required

- **Legal documents.** The employer must set up a Plan Document before the effective date of the Premium Only Plan. These documents explain the rules of the plan. The employer should sign the plan document and keep it on file.
- **Salary Reduction Agreement.** Each eligible employee is given the option to opt in to a Salary Reduction Agreement with the employer, in which he or she agrees to pre-tax dollars to be withheld from take home pay for health care coverage.
- **Nondiscrimination testing.** Employers cannot discriminate in favor of highly compensated individuals. If you have any questions about discrimination, we recommend performing [nondiscrimination testing](#) and keeping these tests on file in the event of an audit.

Employee enrollment. Employees can only enroll:

- During an annual open enrollment period specified in the plan document
- Within a specified period following date of hire
- The date an employee first becomes eligible under the plan document
- Under other special circumstances outlined in the plan document.

Changes to salary reduction.

Once in place, changes to the Salary Reduction Agreement can only be made at the beginning of the plan year. Generally, the only exceptions are qualifying life events, which cannot be made retroactively

Examples include: Marriage / Child / Divorce / Child ages out of coverage

There are other types of 125 Plans, that may be used to reduce the taxable portion of an employees pay.

[IRS code Section 125](#) allows an employer to set up Flexible Spending accounts to pay for health care expenses or day care expenses. See link for more information.

Contact: Margaret Ebner
HR Director
mebner@diolc.org
(608) 791-2670

