



Cafeteria Plans and the Holston Conference

Coming in October and November during open enrollment...

Last week: why to have a cafeteria plan...

This week: What can we save taxes on?

First: *The IRS allows many insurance premiums to be taken out before taxes, which include the following:*

Group major medical	Dental	Vision
Group term Life (subject to qualification)	Most voluntary benefits' premiums	

Ineligible: long term care premiums, dependent life insurance, any policy with a return of premium feature, home health care, Medicare supplement

Second: *Out-of-pocket medical expenses may be set aside with tax-free dollars; examples of these include the following:*

Co-pays	Deductibles	Uninsured procedures, such as Lasik eye surgery	Out-of-pocket dental work (co-pays on crowns, root canals, etc.)
Prescription medicines (insulin, flu shots, etc.)	Over-The Counter medicines for sickness	Chiropractor	Eyewear: glasses, contacts, solutions, etc.

Third: *Dependent Day Care expenses may be set aside with tax free dollars; examples of these include the following:*

<u>Allowed</u>	<u>Rules</u>
Child care under age 13; any age if mentally or physically incapable of self-care, in qualified child care center or with a qualified caregiver (before/after school, nannies, au pairs, nursery school, private pre-school, etc.)	Employee and spouse must work full-time or spouse may be full-time student or disabled
A spouse or other dependent (ex. Elderly parent), incapable of self-care, in qualified adult care center	

How It Works:

<u>Paycheck Illustration without A Cafeteria Plan</u>		<u>Paycheck Illustration with A Cafeteria Plan</u>	
Gross Paycheck (Bi-Weekly):	\$1,000.00	Gross Paycheck (Bi-Weekly):	\$1,000.00
Taxes @ 22%:	\$ -220.00	Insurance:	\$ -100.00
Subtotal:	\$ 780.00	Out-of-Pocket Medical:	\$ - 40.00
Insurance:	\$ -100.00	Out-of-Pocket Dependent Care:	<u>\$ -100.00</u>
Out-of-Pocket Medical:	\$ - 40.00	Subtotal:	\$ 760.00
Out-of-Pocket Dependent Care:	<u>\$ -100.00</u>	Taxes @ 22%:	\$ -167.20
Spendable Paycheck:	\$ 540.00	Spendable Paycheck:	\$ 592.80
Increase in Paycheck: \$52.80 per check (1,372.80 per year!)			

Note: The funds set aside for out-of-pocket medical costs and dependent care costs are set aside in an account and once proof of expense is received, you will be reimbursed up to the maximum allowed. All expenses must be used up during the plan year.

Coming next week... What will be offered in our upcoming open enrollment??