WageWorks
Insights EZPOP
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Your Source for Information on IRS Section 125 Premium Only Plans

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Offering Individual Medical Coverage Makes Tax Advantages Disappear

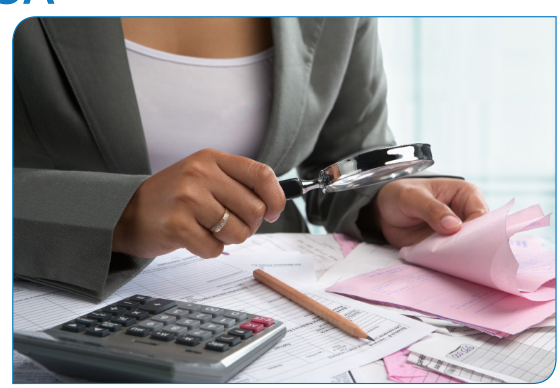
When you think about what attracted you to a Premium Only Plan (POP) in the first place, significant tax savings for your company was likely high on the list. Therefore, it's important to be aware of "Agency Guidance" issued by the IRS and Department of Labor that prohibits the use of pre-tax funds for the purchase or reimbursement of Individual Medical (IM) coverage, in turn eliminating the associated tax advantages.

If you are contemplating sending your employees to the Marketplace (Exchange) for IM coverage, you may want to reconsider. While employer-sponsored group health insurance premiums continue to be tax deductible, IM premiums don't qualify for the same favorable treatment.

It's important to note, however, that this new rule does not apply to certain types of voluntary health benefits, including insurance coverage for dental, vision, specific health event, intensive care, accident, hospital indemnity, or personal sickness. In other words, these coverages can also be paid through your POP because they are not considered IM.

By continuing to give your employees the option to pay for employer-sponsored group health insurance through pre-tax payroll deductions, everyone benefits: your employees save an average of 30% and your company saves 7.65% on FICA payroll taxes, translating to approximately $8.00 for every $100 that employees deduct through payroll. What's not to like?

Change to "Use it or Lose It" Rule Boosts Appeal of Healthcare FSA



Even the best health plans don't cover everything. Today's employees are faced with high deductibles and hefty out-of-pocket expenses that quickly add up to real money. From medical co-payments to monthly prescriptions to big-ticket procedures such as orthodontia or Lasik eye surgery, the cost of healthcare seems to be going nowhere but up.

This reality is driving many organizations to offer Healthcare Flexible Spending Accounts (FSAs)—enabling employees to offset medical, dental, and vision costs with pre-tax dollars and save an average of 30% in the process. A Healthcare FSA works like a POP. But whereas a POP allows employees to pay for insurance though payroll deductions, a Healthcare FSA allows employees to pay for healthcare expenses that aren't covered by insurance or elsewhere with pre-tax dollars.

Thanks to a modification of the rules by the IRS, Healthcare FSAs just became even more appealing to both employees and their employers. That's because employers can now allow Healthcare FSA participants to carryover up to $500 in unused funds at the end of the plan year. This means no more number crunching while trying to precisely predict upcoming healthcare-related expenses. And no more stress about losing unused dollars. It's never been a better time for employees to enroll. And remember, higher enrollment translates to higher payroll tax savings for you.

Keep in mind that your Premium Only Plan only saves you taxes on employer-sponsored insurance premiums that are payroll deducted. To start saving taxes on those out-of-pocket expenses that your insurance does not pay, set up a Healthcare FSA plan. The additional taxes you'll save will typically exceed the cost to your organization and then some. Contact us at **EZPOP@WageWorks.com** to get started.

It's Time to Decide: Will You Pay or Play?

December 31, 2014 will be here before you know it. While New Year's Eve planning might immediately come to mind, this date has more important implications. If you have at least 50 full-time employees, you need to keep reading.

At the start of next year, the Employer Shared Responsibility provisions outlined in the Patient Protection Affordable Care Act (PPACA)—also dubbed "pay or play"—go into effect. Employers that don't offer employees and their dependents affordable health coverage could be faced with penalties if even one full-time employee receives a federal premium tax credit or cost-sharing subsidy for buying insurance on the Marketplace.

And violators will pay the price. Failure to comply with the provisions could result in an annual penalty of $2,000 multiplied by each employee in excess of 80 (2015) for employers with more than 100 full-time employees.

However, this rule is proving to not be as cut and dry as initially outlined. On July 22, 2014 two U.S. Courts of Appeals issued conflicting rulings about whether the federal government can indeed provide tax credits to individuals who enroll in health insurance through state insurance exchanges that are operated by federally-facilitated Marketplaces. One ruling contends that federal tax credits are only available to individuals who enroll in coverage through state-based Marketplaces and cannot be provided through the federally-facilitated Marketplaces, causing confusion among employers.

Either way, as long as you continue your employer-sponsored group insurance and/or voluntary benefits you will save taxes with your POP. We will continue to monitor developments and keep you abreast of legal rulings that impact your organization.

Keep Your Eyes Peeled for Your EZPOP Renewal Kit

We're here to make your POP renewal as simple and straightforward as possible. Your annual EZPOP Renewal Kit will be headed your way approximately 60 days before your renewal date and will include everything you need to amend and update your plan—just awaiting your signature. In the meantime, contact us at **EZPOP@WageWorks.com** or visit **www.ezpop.com** for more information.

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