

# EZPOP

## (Premium Only Plan)

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At last! You can offer a benefit that will save you more than it costs!



### One simple change saves taxes for you and your employees.

If your employees pay for insurance through payroll deduction, the EZPOP (Premium Only Plan) is an easy way to save taxes.

Under a Premium Only Plan, which is regulated by Section 125 of the Internal Revenue Code, employees will save an average of 30% on insurance premiums they deduct from their pay. That's because your Premium Only Plan allows premiums to be deducted on a pre-tax basis. You, the employer, also save about 7.65% (the FICA match) on every dollar your employees deduct. It works by making one simple adjustment in your payroll process—an employee's share of insurance is deducted from gross pay before taxes are calculated.

### Who can offer a Premium Only Plan?

Premium Only Plan can be established by any employer. Qualified employers include corporations, s-corps, partnerships, LLCs, sole proprietors, professional corporations, and not-for-profits. Related employers also qualify, including members of controlled groups or affiliated service groups.

Although certain "owners" may sponsor a plan for their employees, they will not be personally eligible for tax savings through payroll deduction. Individuals that are not eligible include, sole proprietors, partners, members of an LLC (in most cases), or individuals owning more than 2% of an s-corporation. The same rule applies to a spouse or dependent that works for that employer.

### A Premium Only Plan is easy to install. So, you can start saving taxes immediately!

You can start your Premium Only Plan at any time. You even can start your Premium Only Plan mid-year and then cut it short to align with your insurance renewal. So, why wait? The choice is yours.

### A Premium Only Plan will make your benefits better!

- You take credit for a new benefit that will increase take-home pay.
- Your employees can share in more premiums without reducing their take-home pay.
- The money employees save can be used for additional voluntary benefits.
- Your FICA tax savings will help defray the cost of insurance rate increases.

### With a Premium Only Plan, employees save taxes if they payroll deduct:

- Group health insurance
- Voluntary insurance benefits like dental, vision, critical illness, cancer, and hospital indemnity
- Group-term life insurance (up to \$50,000)
- Health Savings Account contributions

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## A Premium Only Plan increases employee take-home pay

JOHN DOE	WITHOUT PLAN	WITH PLAN
Annual salary	\$30,000	\$30,000
Annual pre-tax insurance payroll deductions	0	- \$2,400
Taxable salary	\$30,000	\$27,600
Estimated taxes (federal, FICA, and state)	- \$9,195	- \$8,460
Annual after-tax insurance payroll deductions	- \$2,400	0
Take-home pay	\$18,405	\$19,140
Increase in take-home pay	0	\$735

## A Premium Only Plan reduces employer payroll taxes

ABC COMPANY	WITHOUT PLAN	WITH PLAN
Annual payroll (10 employees)	\$300,000	\$300,000
Annual pre-tax insurance payroll deductions	0	- \$24,000
Taxable payroll	\$300,000	\$276,000
Annual Social Security tax (7.65% employer FICA match)	\$22,950	\$21,114
Your annual Social Security tax savings	0	\$1,836

## Calculate the tax savings you can realize with a Premium Only Plan

EMPLOYER TAX SAVINGS WORKSHEET	YOUR SAVINGS
Your total monthly employee premium contributions	\$
Multiply by FICA tax rate of 7.65%	x .0765
This is your monthly FICA tax savings	\$
Multiply by 12 months	x 12
This is your annual tax savings with Premium Only Plan	\$

## A Premium Only Plan is Easy to Implement

### Plan implementation.

The Premium Only Plan can more than pay for itself. The program is convenient because WageWorks takes care of the paperwork for you.

When you enroll for the service, you'll receive a signature-ready, customized Premium Only Plan Implementation and Administration Kit containing:

- Plan Adoption Agreement
- Plan Document
- Certificate of Resolution
- Summary Plan Description
- Brochures for employees and election forms
- Video that explains the Premium Only Plan to you, your employees, and your bookkeeper/controller
- Instructions on signing documents and distributing forms
- Instructions for maintaining your Plan
- Simplified explanation of payroll adjustments

### Annual compliance service.

Once your Plan is established, you will receive complete administrative support services from WageWorks, a leading provider of consumer-directed benefits.

#### Annual Compliance Services include:

- Prior to each new plan year, you will receive an Annual Compliance Packet. The update packet will include re-enrollment materials and signature-ready Plan documents, forms, and procedures.
- The latest documentation required for keeping your Plan in compliance with IRS Regulation changes.
- Free assistance with non-discrimination testing (upon request).
- Quarterly newsletter with compliance tips and reminders.
- Continued access to our Premium Only Plan Compliance Support Unit by phone: 800-876-7548, or by email: EZPOP@wageworks.com.

# EZPOP (Premium Only Plan)

## Will a Premium Only Plan Benefit You?

Take the following Section 125 checkup to find out.

- |  | Yes                      | No                       |
|--|--------------------------|--------------------------|
| 1. Do you currently deduct your employees' portion of qualified health insurance premiums on a pre-tax basis through a Section 125 Plan? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do your employees contribute toward the cost of the company's major medical insurance or other health, dental, or vision insurance?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is your business a partnership, LLC, sole proprietorship, or s-corporation?   | <input type="checkbox"/> | <input type="checkbox"/> |

- If you answered "yes" to question 1, skip to the next section to see if your plan is in compliance.
- If you answered "yes" to question 2, you and your employees may benefit from implementing a Section 125 Plan. You could save on payroll taxes, such as FICA, and your employees could save on federal income tax, FICA tax, or where applicable, state or local income taxes. If you answered "no," you probably don't need a Section 125 Plan at this time. However, consider implementing a Plan if you intend to start requiring your employees to contribute toward their health insurance costs.
- If you answered "yes" to question 3, the owner, partners, members of an LLC, or greater than 2% shareholders of an s-corporation, or their spouse and dependents, cannot participate in the plan. However, you may still implement a Section 125 Plan for your employees. If you answered "no," all employees may participate in the Plan subject to the non-discrimination rules.

## My company has a Section 125 Plan.

Take the following quiz to see if your Plan is in compliance.

- |   | Yes                      | No                       |
|---|--------------------------|--------------------------|
| 1. Do you have a written Plan document in your files?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Have you properly amended your Plan to reflect any changes that you made to the plan year, eligibility requirements, benefits, IRS Regulations, or the Affordable Care Act? (There have been recent changes in IRS Regulations.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Have your employees received a copy of the current Summary Plan Description?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is the total of all benefits for key employees in the Plan no more than 25% of the total of all benefits in the Plan?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Do you have current signed election enrollment forms on file for all eligible employees?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do you require all election changes to be made only during the open enrollment period each year unless the employee has experienced a valid change in status as outlined in the latest Section 125 Regulations?                  | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. As your new employees become eligible for participation in the Plan, do you require that they complete enrollment forms?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Do you have documentation on file to support annual non-discrimination requirements?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Are the premiums for all policies that include a "cash value" or a "return of premium" benefit deducted on an after-tax basis outside of the Section 125 Plan?   | <input type="checkbox"/> | <input type="checkbox"/> |

- If you answered "no" to any of these questions, your Plan may be out of compliance. The Internal Revenue Code provides for significant penalties for failure to comply with these requirements. The severity of penalties depends on the severity of the infractions. You may want to consult with your tax professional and/or WageWorks, Inc. regarding your non-compliance risk.

# EZPOP (Premium Only Plan Application)

## SECTION A: GENERAL PLAN INFORMATION

1. Plan Sponsor (Employer's complete legal name) ("Client") \_\_\_\_\_
2. Business type  Corporation  S-Corp.  Sole Proprietor  Partnership  LLC  Not-for-Profit  Government  Religious
3. Federal Employer Identification Number (must be nine digits.) \_\_\_\_\_
4. Employer's principal office: This Premium Only Plan shall be governed under the laws of the  State  Commonwealth \_\_\_\_\_
5. Legal name(s) of affiliated company(ies) that will be covered by this Plan \_\_\_\_\_

6. Effective date of the Plan (check one)
  - a.  A new Section 125 Premium Only Plan effective as of (date) \_\_\_\_\_
  - b.  An amendment and restatement of an existing Section 125 Plan (transfer of Premium Only Plan from your current administrator)
    - (1) Effective date of original plan \_\_\_\_\_
    - (2) Effective date of amended and restated plan \_\_\_\_\_

The effective date should be the beginning of the first payroll period for which employee contributions will be converted to pre-tax. It is not necessary for the effective date to coincide with the first day of the Plan Year (short Plan Years are permitted in the first Plan Year). Per IRS Regulations, all employee communication/election information must be distributed and the plan document must be signed prior to the effective date.

7. Plan year: The first plan year for this Premium Only Plan will be a (check one)
  - a.  12-consecutive-month period beginning (date) \_\_\_\_\_ and ending (date) \_\_\_\_\_
  - b.  Short plan year beginning (date) \_\_\_\_\_ and ending (date) \_\_\_\_\_The Plan Year usually coincides with the renewal date of the insurance plan, calendar year or company fiscal year.

8. Benefits: All benefits listed below may be included in the Premium Only Plan, whether you currently offer them or not.
  - Health Insurance premiums, including major medical, accident, cancer and critical illness, dental, vision, and hospital indemnity. However, insurance products with a return-of-premium feature cannot be deducted on a pre-tax basis.
  - Group-term life insurance (up to \$50,000 including any employer provided coverage)
  - Health Savings Accounts contributions that are made through payroll deduction
  - Disability insurance (although most tax advisors would advise against this because any disability benefits received would be taxable to employees)
9. Total number of employees \_\_\_\_\_

**SECTION B: ADMINISTRATOR** (Indicate the name and address of the person within the company responsible for plan administration. The application should be signed by an authorized representative of the company. Reminder: Please do not start pre-tax deductions until you have received the Administrative Kit and signed the Plan Document from WageWorks.)

Plan administrative contact \_\_\_\_\_ Title \_\_\_\_\_  
Mailing address \_\_\_\_\_  
City, State, Zip \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_ Email \_\_\_\_\_

WageWorks will be the plan service provider, but will not be the Plan Sponsor or Plan Administrator. This Agreement will become effective on the "Effective Date of the Plan." It will continue for an initial term of one year beginning with the Effective Date, or the Amendment and Restatement Date, and continue thereafter for successive one-year terms ("Renewal Terms") or until terminated by either party upon 90 days prior written notice. **The one-time Implementation Fee must be enclosed with this Application.** For each Renewal Term, Client agrees to pay an Annual Compliance Service Fee billed at the end of each Plan Year.

Implementation Fee: Call for a quote.

Annual Compliance Service Fee: Call for a quote.

Client signature \_\_\_\_\_ Date \_\_\_\_\_

This Application and Implementation payment must be received by WageWorks at least 15 business days prior to the Effective Date.

- Check enclosed for \$ \_\_\_\_\_ (**payable to WageWorks, PO Box 870725, Kansas City, MO 64187-0725**)  
 Charge my credit card for \$ \_\_\_\_\_  VISA  MC  AMEX  Discover Expiration date \_\_\_\_\_  
Credit card number \_\_\_\_\_ Name on card \_\_\_\_\_

## SECTION C: REFERRAL SOURCE/BROKER OF RECORD

Name of referral source \_\_\_\_\_ Affiliated company \_\_\_\_\_  
Address (No PO boxes) \_\_\_\_\_  
City, State, Zip \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_ Email \_\_\_\_\_

The referring company or its representative may earn a fee for services performed in connection with the implementation of this plan.

**Scan and email this completed form to EZPOP@wageworks.com or FAX to 877-769-0173. Questions? Call 800-876-7578 (Weekdays, 8 a.m. - 5 p.m. Central)**



WageWorks (NYSE: WAGE) is a leading provider of Consumer-Directed Benefits (CDBs) in the United States. WageWorks administers and operates a broad array of CDBs, including pre-tax spending accounts, such as health and dependent care Flexible Spending Accounts (FSAs), as well as Commuter Benefit Services, including transit and parking programs, Health Savings Accounts (HSAs), Health Reimbursement Arrangements (HRAs), Premium Only Plans, and other employee benefits.

WageWorks internal use: Client No. \_\_\_\_\_ Rep. No. \_\_\_\_\_ Lead Source: WageWorks- \_\_\_\_\_  IRS Form W-9 on File