

Pre Tax Saving Plan Illustration

Tax Savings For You, The Employer

Pre-Tax plans is an exciting concept in employee benefits programs. You may reduce your employees' taxable income, thereby reducing your share of FICA and FUTA taxes, through a Pre-tax Plan program. This may mean significant savings for you. Here's how:

Employer Savings Example Annual

Per \$500,000 in payroll

Without PRETAX*		With PRETAX*	
\$500,000	Annual Payroll	\$500,000	Annual Payroll
- 0	Employee Contribution (pre-tax)	- 30,000	Employee Contribution (pre-tax)
\$500,000	Taxable Payroll	\$470,000	Taxable Payroll
x 7.65	FICA	x 7.65	FICA
\$ 38,250	Employer Tax	\$ 35,955	Employer Tax

\$2,295 Employer FICA Tax Savings

... the best choice for your employees.

Valuable Benefits for Your Employees

By giving them the possibility of tax savings, a pre-tax plan provides employees with a choice: increased take-home pay or additional benefits.

Employee Savings Example Monthly*

Per \$1,000 in salary

Without PRETAX*		With PRETAX*	
\$1,000	Gross Income	\$1,000	Gross Income
- 250	Taxes	- 250	Taxes
750	Paycheck	750	Paycheck
- 100	Insurance Premiums	- 100	Insurance Premiums
\$ 650	Net Spendable	\$ 675	Net Spendable

\$25 Tax Savings!

Pre-tax plans were created through certain provisions of Section 125 of the IRS code, Pre-Tax allows employees' contributions to certain employer-sponsored group benefit programs to be treated on a tax-exempt basis. The types of nontaxable benefit plans that can be included in a pre-tax plan are:

- Health Insurance (medical /dental /vision)
- Disability Insurance
- Group Term Life Insurance (up to \$50,000)

IRC Section 125 considers the pre-tax premium contributions as employer dollars for tax purposes. As a result, your company's total taxable payroll is reduced by the amount employees contribute to their premium. Reduced payroll results in lower payroll-related taxes for you. The amount of savings depends on total company payroll and how much employees contribute toward their benefits.

This program is available to all employees in your company who contribute toward their group insurance benefits. Because your employees' taxable income is lowered by their pre-tax contribution toward their insurance benefits, they pay less income tax and Social Security tax, thereby increasing their take-home pay.

*Savings over funding benefits on an after-tax basis and assumes effective tax rate at 25%.