

Section 125 Premium Only Plans, sometimes referred to as POP Plans, reduce income tax liabilities for both the employer and employee. This is because IRS Section 125 allows employees to make special salary deduction elections to pay their portion of medical insurance premiums using pretax or tax-free dollars.

How Employees Benefit from a Section 125 Premium Only Plan.

Employees can save as much as 20% - 30% of their pre-tax Section 125 premium deductions in just federal income taxes alone. The actual tax savings are on state and federal income taxes, including Social Security and Medicare taxes on all money employees use to pay for their portion of insurance premiums. Under a Section 125 POP employees take-home pay is increased which helps reduce the high cost of providing health coverage for family members.

How Employers Benefit from a Section 125 Premium Only Plan.

Employers benefit by reducing the matching Social Security and Medicare taxes. However, POP paperwork is time-consuming. IRS eligibility standards are stringent and, of course, very complicated. Until recently, few smaller companies could afford to enjoy all the benefits of a POP. Affiliated Associates is qualified to sort through the red tape for you making it easy for you and your employees to get everything that's coming to you. Contact us at 802.861.2900 to learn more.