



Count on us for Tax Advantage Benefits Plans

Savings as easy as 1-2-5. That's right, realizing savings on our employee benefits program is as easy as 1-2-5 – Section 125, that is! For years, businesses and employees have enjoyed the tax savings benefits of a Section 125 program. Now, school entities nationwide are realizing the advantages of Section 125 plans (also known as cafeteria or flexible benefits plans).

Section 125 basics

In its simplest form, employees do not pay federal income or FICA taxes on their payroll deduction contributions for their employee benefits. And, school entities do not have to pay the matching FICA taxes on these employee contributions. This means big savings for schools and their employees!

TABS program from PSBA Insurance Trust

The Pennsylvania School Boards Association Insurance Trust understands the need for controlling employee benefit costs. To better serve our members, we have joined forces with Alternative Benefit Systems Inc. The Tax Advantage Benefit (TABS) program now offers school entities a cost-effective approach to design, implementation and administration of a Section 125 plan.

Section 125 of the Internal Revenue Code allows school districts the option of structuring everything from full cafeteria plan design to a simple cost-sharing of benefits on a tax-advantaged basis.

The PSBA TABS program is ready to assist in designing a Section 125 plan that best serves school districts and their employees.

Tax Advantage Benefits Plans

Components of the TABS program

There are three major components of the TABS program (see examples below); however, several other features may be added. All may be mixed and matched to develop the best solution for your school entity.

Advantages of the TABS program

School entities:

- Reduces FICA and FUTA taxes.
- Improves negotiating position.
- Reduces benefit plan costs.
- Helps attract and retain employees.
- Provides additional benefits at no cost.
- TABS is a turn-key program.
- No need to change benefits or agents.

Employees:

- Reduces federal income taxes.
- Reduces FICA taxes.
- Reduces day care expenses.
- Increases take-home pay.
- Reduces cost of uninsured medical expenses.

1 Premium only plan

The POP enables employees to pay for their group insurance benefits with pretax payroll deductions, such as:

- Health
- Dental
- Prescription
- Term Life and AD&D
- Vision

	Without flex	With flex
Annual income	\$30,000	\$30,000
Premium contribution	0	(\$1,500)
Gross taxable base	\$30,000	\$28,500
Fed. income tax @ 25%	(\$7,500)	(\$7,125)
FICA tax @ 7.65%	(\$2,295)	(\$2,180)
Premium contribution	(\$1,500)	0
Net take home pay	\$18,705	\$19,195

Increased take home pay \$490

2 Medical reimbursement flexible spending account

The MFSA enables employees to set aside funds with pretax payroll deductions to pay for:

- Insurance deductibles
- Insurance copayments
- Uninsured medical and dental care
- Eyeglasses and contact lenses
- Medical supplies...and much more

	Without flex	With flex
Annual income	\$30,000	\$30,000
MFSA contribution	0	(\$750)
Gross taxable base	\$30,000	\$29,250
Fed. income tax @ 25%	(\$7,500)	(\$7,313)
FICA tax @ 7.65%	(\$2,295)	(\$2,238)
Medical expenses	(\$750)	0
Net take home pay	\$19,455	\$19,699

Increased Take Home Pay: \$244

3 Dependent care reimbursement flexible spending account

The DFSA enables employees to set aside funds with pretax payroll deductions to pay for:

- Day care centers
- Summer day camp
- Nursery or preschool
- Adult day care centers
- Governess

	Without flex	With flex
Annual income	\$30,000	\$30,000
DFSA contribution	0	(\$5,000)
Gross taxable base	\$30,000	\$25,000
Fed. income tax @ 25%	(\$7,000)	(\$6,250)
FICA tax @ 7.65%	(\$2,295)	(\$1,913)
Dependent day care	(\$5,000)	0
Net take home pay	\$15,205	\$16,837

Increased take home pay \$1,632