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Professional Group Plans

Section 125 POP Installation Kit

- ❑ Section 125 POP Proposal
- ❑ Government Requirements
- ❑ Section 125 POP Agreement
- ❑ Employer Information Required

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PGP'S SECTION 125 PREMIUM ONLY PLAN (P.O.P.)

If you purchase your P.O.P. through your insurance broker, and Professional Group Plans, Inc. (PGP), you and your employees can start saving money right away!

PGP has a wholesale agreement with Benefit Tax Link, a third party vendor of P.O.P., FSA and HRA programs. For a low fee of $300 Benefit Tax Link provides:

- Adoption agreement and plan document
- Summary plan description
- Payroll advice
- Instructions to perform annual discrimination testing

After the first year the annual renewal fee is $100. For an additional fee of $150 per year Benefit Tax Link will actually do the discrimination testing for you.

Benefit Tax Link makes it easy for you to set up a P.O.P. plan and maintain annual IRS compliance.

A Section 125 P.O.P plan reduces your company's payroll taxes and increases your employees take home pay. Employees save Federal, state (except NJ), local and FICA taxes. Employers also save FICA taxes.

Here's an example of employer and employee savings assuming a company has 10 employees with an annual payroll of $500,000 and employees contribute $200 per month for your health plan

Employer Savings	**Without P.O.P.**	**With P.O.P.**
Annual Payroll	$500,000	$500,000
Employee Premiums	-0-	$24,000
Taxable Payroll	$500,000	$476,000
FICA tax (7.65%)	$38,250	$36,414
Employer Savings	-0-	$1,836
Employee Savings		
Annual Income	$40,000	$40,000
Pre-Tax Contribution	-0-	$2,400
Taxable Income	$40,000	$37,600
Estimated Taxes (30%)	$12,000	$11,280
After-Tax Contribution	$2,400	-0-
Net Take Home Pay	$25,600	$26,320
Increase in take home pay	-0-	$720

Contact your PGP representative today.

IRS SECTION 125
GOVERNMENT REQUIREMENTS

The intent of Section 125 is to provide an exception to the constructive receipt doctrine by allowing employees to choose among benefits without having the available taxable choices included in their gross income. Participants in a Section 125 plan may choose among two or more benefits consisting of cash (which may include certain taxable benefits) and statutory non-taxable benefits. A statutory non-taxable benefit is any benefit not included in the gross income of an employee.

In order for a plan to be qualified under Section 125 it must meet the following requirements:

a. Plan must be written
b. Employee's rights must be enforceable
c. Employees must be given notification of benefits available, i.e., summary plan description
d. Plan must be exclusively for employees
    1. Employer is fiduciary
    2. Plan assets cannot inure to employer
e. Plan set up for indefinite duration.
f. All participants must be employees. Self-employed individuals, 2% owners of a subchapter S corporation, partners and LLC owners cannot participate in a Section 125 program.
g. Elections must be irrevocable once the period of coverage has begun. Exceptions are allowed for family status changes and other qualified events.

The Section 125 Plan must be non-discriminatory

Section 125 contains discrimination rules that must be satisfied if adverse tax consequences are to be avoided.

Section 125 plans must pass three discrimination tests:

1. Eligibility Test
   The plan must not discriminate in favor of highly compensated employees (earning more than $100,000/year) as to eligibility to participate. A two part test is required to determine if the plan is non-discriminatory.
2. Contributions or Benefits Test
   The plan must not discriminate in favor of highly compensated employees as to benefits or contributions for benefits. This is a facts and circumstance test.
3. Concentration Test
   Non-taxable benefits provided to key employees cannot exceed 25% of the total non-taxable benefits provided for all employees under the plan. Key employees include (a) 5% owners, (b) 1% owners with compensation above $145,000, (c) an officer with annual compensation greater than $145,000 (indexed annually), (d) and the top ten employee owners.

If a Section 125 plan does not pass these discrimination tests, highly compensated and key employees are taxed on the maximum taxable benefits that they could have selected for the year. All amounts are treated as after-tax employee contributions.

SECTION 125 PREMIUM ONLY PLAN AGREEMENT

TERMS AND CONDITIONS

This agreement dated _____specifies the services to be provided to _____ hereinafter referred to as "Company", in the ongoing administration of the Company's Section 125 Premium Only Plan, and the specified responsibilities of the Company.

The Company shall be the Plan Administrator and **Benefit Tax Link** shall be engaged as a subcontractor in the performance of providing services for the plan.

The Section 125 Premium Conversion services shall be effective _____**.**

Services to be provided by Benefit Tax Link

1. Plan Document to be reviewed by the company and Company's Legal Counsel.
2. Summary Plan Description which is to be distributed to each plan participant.
3. Participant waiver form to be used during the enrollment period.
4. Board of Directors resolution.
5. Instructions to perform annual discrimination test.
6. IRS Form 5500 if applicable (for companies with 100 or more medical plan participants).

Responsibilities of the Company:

1. Provide necessary annual census information to perform discrimination tests.
2. Initiate any action required in the event the Plan becomes discriminatory.
3. Notify **Benefit Tax Link** of any changes in plan provisions, eligibility, and contributions.

Upon acceptance of this agreement the Company agrees to pay:

A. $300 initiation of the Section 125 plan for the first year.
B. $150 for Benefit Tax Link to provide Discrimination Tests (optional service).
C. $250 for Benefit Tax Link to provide IRS Form 5500 (Optional service)
D. _____Total first year cost

For each subsequent plan year Benefit Tax Link will continue to maintain the Section 125 plan to be in compliance with ERISA, IRS Section 125 and HIPAA regulations. At the start of each plan year Benefit Tax Link will bill the company:

A. $100 Annual maintenance
B. $150 For Benefit Tax Link to provide Discrimination testing (optional service)
C. $150 for Benefit Tax Link to provide IRS Form 5500 (optional service)
D. _____Total Annual Cost

These fees will be guaranteed for a period of two plan years. Fees are payable 30 days prior to the beginning of a plan year and are not refundable. **Benefit Tax Link** ***WILL NOT BE LIABLE FOR DIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES***. Fees are subject to change if IRS regulations change.

Termination of Agreement

This agreement shall terminate immediately as of the earliest of the following dates: (1) as of the date of termination of the plan, as specified to **Benefit Tax Link** by the Company, (2) as of any date agreed to in writing between the company and **Benefit Tax Link** (3) as of the last day of a contract year when either party has given 31 days prior written notice or (4) 31 days after written notice has been given to the other of a breech of a material obligation under this agreement, provided such breach has not been cured within such 31 day period.

Agreed to:

_____
Authorized Signature

_____
Print Name

_____
Company

_____
Telephone Number

_____
Date

Agreed to:

Carl DeRiso, CFCI
Authorized Signature
Benefit Tax Link

Agent _____

_____

Date _____

Professional Group Plans
225 Wireless Blvd. 2nd Floor
Hauppauge, NY 11788

Benefit Tax Link
122 Parish Drive
Wayne, New Jersey 07470

INFORMATION FOR SECTION 125 PREMIUM CONVERSION

Company Name:_____

Address:_____

Other Locations:_____

Contact:_____**Title:**_____

Phone:_____**Fax:**_____

E-Mail:_____

Type of Corp:_____

Industry_____

Federal ID#:_____

Subsidiaries/Affiliates

Are any of these companies to be set up separately from the parent company?

Name:_____

Address:_____

Federal ID#:_____ Type of Corp.:_____

No. of Employees in the Company:_____

EFFECTIVE DATE: _____ **INITIAL PLAN YEAR**: _____ **SUBS.PLAN YR.** _____

ELIGIBILITY FOR NEW EMPLOYEES

Premium Conversion:_____

EMPLOYEES NOT ELIGIBLE TO PARTICIPATE (e.g part-time, union, per diem)

Premium Conversion:_____

Min. # of hours to be eligible for benefits:_____

Payroll Frequency: (weekly/52, biweekly/26, semi-monthly/24, monthly/12) _____