

IRS Section 125 Plan means

Increased take home pay because of IRS Section 125 Plan tax savings

Employee IRS Section 125 Plan Savings Example

Per \$2,000 in gross income

Without IRS Section 125 Plan		With IRS Section 125 Plan	
\$ 2,000	Gross Income	\$ 2,000	Gross Income
- 500	Taxes	- 200	Insurance Premiums
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\$ 1,500	Take Home Pay	\$ 1,800	Taxable Income
- 200	Insurance Premiums	- 450	Taxes
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\$ 1,300	Employee Take Home Pay	\$ 1,350	Employee Take Home Pay

\$50 Employee Section 125 Tax Savings

*IRS Section 125 Plan example assumes a 25 percent tax rate.

What is an IRS Section 125 cafeteria plan?

IRS Section 125 of the Internal Revenue Code requires an employer to maintain a written IRS section 125 Plan Document when participants of an IRSSection 125 Cafeteria Plan pay for qualified benefits before tax.

An IRS Section 125 Plan allows an employer to offer its employees a choice between taxable and nontaxable benefits. IRS Section 125 allows employees to pay for medical insurance premiums and other qualified benefits with pretax dollars. We can help employers establish an IRS Section 125 Cafeteria Plan along with the IRS required IRS Section 125 Plan Document for FREE!!

What benefits qualify under an IRS Section 125 Plan?

- Accident and health insurance premium are IRS Section 125 qualified benefits
- Adoption assistance qualifies under IRS Section 125 as an IRS Section 125 qualified benefit
- Dependent care assistance qualifies under IRS Section 125 as an IRS Section 125 qualified benefit
- Cancer and Hospitalization insurance qualify as IRS Section 125 qualified benefits
- Disability Insurance qualifies under IRS Section 125 as an IRS Section 125 qualified benefit
- Health savings account also qualifies as an IRS Section 125 qualified benefit

Is there a filing requirement for an IRS Section 125 cafeteria plan?

You are not required to file Form 5500 or Schedule F if all you have is an IRS Section 125 cafeteria plan. If you have a welfare benefit plan along with an IRS Section 125 Plan you may be required to file a return.

How does an IRS Section 125 cafeteria plan work?

Contributions to qualified IRS Section 125 Plan benefits are not considered wages for tax purposes when an employee participates in an IRS Section 125 cafeteria plan and agrees to contribute part of his or her pay for the stated IRS Section 125 qualified benefits. Please see regulation under Code Section 125 of the Internal Revenue Code for more details pertaining to IRS Section 125 cafeteria plans.