

ANNOUNCEMENT MEMO FOR PREMIUM ONLY FLEXIBLE PLAN

MSAD #3 participates in a special program that will offer tax savings for all employees who wish to take advantage of it. The Plan is called a PREMIUM ONLY FLEXIBLE BENEFITS PLAN and is permissible under Internal Revenue Service Code Section 125. There is no cost to the employee who wishes to "sign up" for this plan.

WHAT IS IT?

Section 125 is a method of reducing income taxes. If you are enrolled in the Unit's group health insurance programs and must contribute a portion of the monthly premiums, and do not participate in the plan you pay income taxes (both State and Federal, and Social Security) on the amount that you contribute. Under the plan, however, your contribution would not be taxed.

HOW WILL IT WORK?

Those employees who wish to take advantage of this Plan can do so by signing an agreement form. Once the payroll office has received the Salary Reduction Agreement form from you and completed the necessary paperwork, your payroll records will reflect the change.

YOU ARE NOT REQUIRED TO PARTICIPATE in this program. If you decide to sign up, however, (and are subject to Social Security withholdings) you must understand that while you will save money by having your health insurance premium contribution deducted tax free, you may have slightly less money contributed to your Social Security account. Some things to note to help you make your decision on whether to sign up for the plan:

1. *You cannot include your health insurance premiums as an itemized deduction on your income tax if you have a 125/Pretax plan.*
2. *Since this is excludable for FICA(Social Security) this will mean that your earnings for Social Security purposes will be less than your full amount of salary and wages.*

You may wish to talk with your accountant or personal tax advisor before you decide. In any case, be sure to read the SALARY REDUCTION AGREEMENT carefully. YOUR BENEFIT ELECTION MUST REMAIN IN EFFECT FOR THE ENTIRE PLAN YEAR. You may change your election once a year on the plan anniversary date or during the plan year if you have a qualified change in family status. After the first plan year, if you do not submit your completed annual election form, your election for the prior plan year will remain in force. If you decide to take advantage of this program, please complete and sign the form and return it to the business office.

If you have any questions, please contact [Madell Rogers-Gombos](#) at 948-6136 ext. 6850.