

What is a PRO Plus FSA Cafeteria Plan?

A PRO Plus FSA Cafeteria Plan is a Section 125 Cafeteria Plan with a Premium Reduction Option plus Flexible Spending Accounts. You may hear this referred to as full-flex plans or flexible benefits plans. (The term Section 125 refers to the section of the Internal Revenue Code specifically pertaining to Cafeteria Plans.)

A Section 125 Cafeteria Plan is a written benefit plan maintained by a company for the benefit of its employees. The plan participants are allowed to choose among two or more benefits consisting of cash or nontaxable benefits.

Nontaxable Benefits include group and individual health or accident insurance, group term life insurance up to \$50,000, disability benefits, and flexible spending accounts.

The only difference between a PRO Cafeteria Plan and a PRO *Plus* FSA Cafeteria Plan is the addition of Flexible Spending Accounts (FSAs). Under a FSA, employees elects to set a certain amount pre-tax and be reimbursed from that amount for certain expenses such as medical expenses, dependent care expenses and premiums for personally owned health policy.

A PRO *Plus* FSA Cafeteria Plan offers the participant the option to pay the employee portion of nontaxable benefits with before-tax dollars by salary reduction rather than with after-tax dollars through payroll deductions. When payments are made with pre-tax dollars, a participant's take-home pay will increase since gross taxable wages are reduced by the payment, thereby decreasing the tax liability.

Example	Without ProPlus125	With ProPlus125
Gross Income / Week	\$750.00	\$750.00
Less: Pre-tax Benefits	<u>0.00</u>	<u>65.00</u>
Gross Taxable Wages	\$750.00	\$685.00
Less:		
Federal Income Tax @ 28%	\$210.00	191.80
State Income Tax @ 5%	37.50	34.25
Social Security Tax @ 7.85%	57.37	52.40
Qualified Benefits: Medical/Dental Ins.	<u>65.00</u>	<u>0.00</u>
Net Check	\$380.13	\$406.55
Gross Tax Savings / Weekly Check		\$26.42