

1/22/19

Hello SRCS Employees,

The SRCS is aware of a significant number of employees have not requested to have medical, dental and/or vision insurance premiums deducted from their paycheck on a pre-tax basis. There is a program available that can dramatically save you money on your taxes and increase your spendable income. The IRS Section 125 Plan allows you to easily deduct the cost of your medical, dental or vision insurance premium costs from your gross earnings before taxes. If you have not taken advantage of this tax deduction, SRCS wants to help you reduce your taxes and increase your take home pay.

Here are some Frequently Asked Questions about this issue. Please note: The District is not providing tax advice and any questions or concerns related to the benefits of Section 125 Plan should be discussed with your tax accountant.

Question: If I take this deduction, will my end of year tax liability increase?

Answer: NO, you can take this deduction immediately under an IRS Section 125 regulations. Or, you can take this deduction under 1040 Schedule A. You cannot take this deductions twice. Due to the tax deduction limits and requirements of Schedule A, most people select the immediate deduction offered through Section 125 to increase their net pay.

Question: Does taking this deduction under Section 125 have a “use it or lose it” provision?

Answer: No, the deduction is taken immediately from the actual payroll deduction the employee pays for medical, dental or vision insurance premiums. Therefore, the deduction is never greater or less than what the employee actually pays.

Question: How do I know if I am already getting this deduction?

Answer: All you need to do is look at the left side of your paycheck stub (middle of stub) under, “Employee Deduction Detail” then under “Non-Taxable Deduction”. In this area, you should see separate lines titled, “125/MSIA Dental” and 125/PERS Health Benefit Servi” or 125/FSL Eyemed Premiums” with the amounts of your co-payment for health benefits, dental or vision. If your deduction for health benefits, dental or vision are listed under the section titled, “Taxable Deductions” and listed for “PERS Health Benefits”, “MSIA Dental” or “FSL/Eyemed Premiums” you are paying for these costs with after taxed wages. See attached sample paycheck stubs.

Question: I heard any health benefit Section 125 Plan deductions may reduce my future social security benefits.

Answer: The Section 125 Plan may reduce your annual income and therefore may result in a minimal adjustment to your final social security benefits. However, it is likely that the present value of the increased income is greater than the future value of the social security benefit. You should discuss the long term financial benefits of enrolling in Section 125 with your financial advisor.

If you have not applied for Section 125 Plan for any payroll deductions for your portion of health benefit insurance premiums, you should consider completing the SRCS “Pre-tax Health Insurance Deduction Form” and submitting it to the payroll department.

Respectfully,

Doug Marquand, Assistant Superintendent Business Services