



Pre-tax Guidelines

We often find a great deal of confusion regarding the regulations surrounding pre-tax deductions. The most common questions relate to changes outside the open enrollment period. Pre-tax elections **may not** be changed until the annual open enrollment **except in the event of a family status change**. Following is a summary of the more common family status changes:

- A family status change occurs when a participant gains or loses a dependent because of marriage, birth, death, divorce, separation, adoption or a change in eligibility because of the age or tax status of a dependent
- The participant gains responsibility through a court order for a dependent’s medical expenses
- The participant gains or loses eligibility for the plan during the year
- If participant’s spouse gains or loses employment or gains or loses benefits

For example, if your spouse changes employment resulting in a change in their benefits, you may change corresponding elections. If their new employer provides health insurance and accident coverage to all employees, you could remove your spouse from coverage under your current medical and accident policy.

In contrast, affordability is specifically listed as not being a family status change. Therefore, it is important to ensure pre-tax elections are affordable.

Please be aware, the ability to pre-tax certain elections is intended to benefit employees. If you have deductions for a qualified benefit, the IRS allows pre-tax elections to help you save tax dollars throughout the year. However, pre-tax deductions are completely voluntary. You are always allowed to elect a deduction post-tax. This will allow you to change elections at any time.

Tax Savings Illustration

Without Pre-tax		With Pre-tax	
\$	1,000 Gross Income	\$	1,000 Gross Income
-	250 Taxes	-	100 Insurance Premiums
	<hr/> 750 Net Income		<hr/> 900 Adjusted Gross Income
-	100 Insurance Premiums	-	225 Taxes
\$	<hr/> 650 Take Home Pay	\$	<hr/> 675 Take Home Pay