PRE-TAX BENEFITS & QUALIFYING LIFE EVENTS

THE VALUE OF PRE-TAX BENEFITS

DLC operates a Section 125 Plan, which allows you to reduce your total taxable income by your portion of group insurance premiums. In effect, this is just like getting a raise, because your taxable income is reduced, and your take-home pay increases!

Let's say you make $50,000 per year and you contribute $220 per month for your benefits:

EMPLOYEE SAVINGS	WITHOUT SECTION 125	WITH SECTION 125
Annual Income	$50,000	$50,000
Annual Benefits Deductions	$0	$2,640
Taxable Income	$50,000	$47,360
Taxes at 25%	$12,500	$11,840
After-Tax Income	$37,500	$35,520
After-Tax Benefits Deductions	$2,640	$0
Annual Take-Home Pay	**$34,860**	**$35,520**
INCREASE IN TAKE-HOME PAY		**+$660**

IRS CODE SECTION 125

Pre-tax benefits are made possible through a section 125 plan, often referred to as a cafeteria plan or POP plan. This plan provides a means for your employer to create a tax savings arrangement that allows you to pay for certain benefits on a pre-tax basis.

This arrangement increases your take home pay and reduces your taxable income.

Changes to your pre-tax benefits can typically only be made during your Open Enrollment period.

QUALIFYING LIFE EVENTS

A Qualifying Life Event (QLE) is an event that triggers a special enrollment period for you or your qualified dependents to change or elect benefits. These events are determined by the IRS Code, Section 125.

You may be able to make changes to your pre-tax benefits after your Open Enrollment period if the following requirements are met:

1. You or your qualified dependents experience a QLE and;
2. The request to make a change is made within 30 days of the QLE.

Under certain circumstances, you may also be allowed to make changes to benefit elections after your Open Enrollment period if the QLE effects you or your qualified dependents' eligibility status.

DID YOU HAVE A QUALIFYING LIFE EVENT (QLE)?

Employees who experience a QLE must contact your HR Department within 30 days to make the appropriate changes to coverage.

Beyond 30 days, requests will be denied and you may be responsible, both legally and financially, for any claim and/ or expense incurred as a result of you or your dependents who continue to be enrolled but no longer meet eligibility requirements.

You will be required to furnish valid documentation supporting a change in status of "Qualifying Event."

To learn about qualifying life events, visit https://www.healthcare.gov/glossary/qualifying-life-event/ or contact your HR Department.