



## Frequently Asked Questions

<p><b>What is a cafeteria plan?</b></p>	<p>A cafeteria plan is a separate written plan maintained by an employer for employees that meets the specific requirements of and regulations of section 125 of the Internal Revenue Code. It provides participants an opportunity to receive certain benefits on a pre-tax basis. Participants in a cafeteria plan must be permitted to choose among at least one taxable benefit (considered part of the employee's salary) and one qualified pre-tax benefit.</p> <p>An example of a taxable benefit option may be allowing employees to take the monthly amount as part of their salary rather than applying it towards the benefit plan. With traditional company-sponsored healthcare insurance, the employer generally pays part of each employee's premiums. If an employee opts out of the plan, he or she does not receive compensation for the amount their premiums would have cost. With a Section 125 Cafeteria Plan, however, the employer may choose in this situation to offer the cost of the benefits as cash. The employee may use the money towards another benefit; though, if the employee receives cash, that money is taxed.</p> <p>Qualified pre-tax benefits can range from health and disability insurance to Flexible Spending Accounts (FSAs), Dependent Care Assistance Plans (DCAP), Health Savings Accounts (<u>HSA</u>s), and contributions toward retirement plans.</p>
<p><b>What documents do I need to have in place?</b></p>	<p>In its simplest form, when premium contributions are the only benefit allowed under the plan, then a POP (Premium Only Plan) document is required. HRPro also provides the SPD (Summary Plan Description). Per IRS regulations, SPD's are to be distributed to all employees.</p>
<p><b>What if I have a FSA?</b></p>	<p>FSA is a form of a cafeteria plan benefit. As the name implies, if additional benefits under the cafeteria plan are added (like FSA) then POP (Premium Only Plan) documents cannot apply alone, and you must have a full Cafeteria Plan Document (POP+FSA) in place.</p>
<p><b>What happens if I don't have any plan docs?</b></p>	<p>If in the case your plan is ever audited, plan documents are required. Failure to provide documents or failure to comply to section 125 IRS rules can have stiff penalties imposed, and in a worse case situation, pre-tax deductions may be disallowed from the beginning, leading to an IRS assessment of overdue back taxes plus interest and corresponding penalties.</p>



## Frequently Asked Questions *continued*

<b>How do I know if my Cafeteria Plan is compliant?</b>	HRPro offers Non-Discrimination Testing at a low additional charge.
<b>When would it make sense for an employer to opt out of plan documents?</b>	An employer should only opt out of having plan documents created by HRPro in the event that they have an in-house team or lawyers to produce for them, or in the case that the Broker will have the ability to provide the documents for them. There is <u>never</u> a situation that HRPro would recommend not having documents in place.
<b>Why let HRPro create documents for you?</b>	While HRPro is setting up the plan, it makes sense for us to create the required documents at the same time. Our team of experts understand what is needed and can help the employer understand their responsibilities.
<b>Can I get just a POP document?</b>	Yes, if your cafeteria plan only has an option that includes premium only reductions.
<b>I have a FSA in place, can I get just FSA portion of documents?</b>	FSA specific portion of the cafeteria plan documents does not act as a "wrap" to the POP, but as a full cafeteria plan document that includes the premium only plan language. It simply does not make sense to have both a POP document, and a cafeteria plan document that includes only FSA language.

**Need more information?**

**Call us at HRPro, we can answer any additional questions: 248-543-2644**