

What is a POP?



A Section 125 POP (Premium-Only Plan) is a type of Cafeteria Plan that allows employees to use pre-taxed money to pay for their insurance premiums.



I am a small business do I qualify?

Yes, any size employer can take advantage of this special provision.

Who profits from this plan?

Both employers and employees profit from this plan. Employees reduce their taxable income, which lowers their taxes and increases their take-home pay. Employees can save up to 40% on federal taxes alone! Employers cut payroll taxes by decreasing their total taxable payroll. FICA/FUTA taxes are not paid on dollars that employees use towards their cost of health premiums.

Everybody wins!!

What does HRPro do for me?

HRPro, after taking careful information provided by employer, will generate the necessary documents for an employer to establish an IRS and DOL complaint POP plan. Establishing POP paperwork is stringent and time-consuming. HRPro can get everything we need to create a plan document and summary plan description.

HRPro is also available if an employer would require employee enrollment forms, enrollment and re-enrollment administration and nondiscrimination testing.

How does a POP work?

All you do is adjust your payroll process to deduct the employee portion of your group insurance premiums on a pre-tax basis instead of after-tax.

A POP can be established for any single employee or certain related employees, including:

- Members of a controlled group of corporations.
- Members of a group of commonly controlled trades or businesses
- Members of an affiliated service group

The IRS prohibits certain individuals from participating in a Cafeteria Plan*. These individuals include:

- Sole proprietors
- Partners within a partnership including LLC and LLP members
- Owners of an S corporation

Even though these individuals cannot participate in a POP personally, their businesses can still benefit from the tax advantages of setting up a POP for their employees.

**Enrollment must pass nondiscrimination testing.*