



Understanding the Basics of WisePlus Flex



What is WisePlus Flex?

- An all-inclusive preventative healthcare management program that supplements group health insurance plans.
- HIPAA compliant, participatory Medical Expense Reimbursement Wellness plan compliant with IRS codes 125, 213, and 105, from iWise, and backed by a Legal Protection Plan.
- With no out-of-pocket cost, iWise prioritizes and incentivizes preventative health care for employees and at the same time benefiting employers through tax savings along the way.



Exploring WisePlus Flex and its Tax Advantages

WisePlus Flex, a Section 125 plan, also known as a cafeteria plan, is an employer-sponsored benefits program that allows employees to choose from a menu of pre-tax benefits. These benefits can include health insurance, flexible spending accounts (FSAs), dependent care assistance, and other qualified expenses. One of the main advantages of a Section 125 plan is the tax savings it offers to both employers and employees.

By participating in this plan, employees can contribute pre-tax dollars towards their chosen benefits. This means that the amount they

contribute is deducted from their gross income before taxes are applied, resulting in lower taxable income. As a result, employees save money on their federal income tax, state income tax (where applicable), and even Social Security and Medicare taxes.

Employers also benefit from offering a Section 125 plan as it reduces their payroll taxes. Since employee contributions are made on a pre-tax basis, employers do not have to pay payroll taxes on those amounts. This can lead to significant savings for businesses.



In the realm of employee benefits, Section 125 plans provide an effective way for employers to offer their workforce a range of benefits while also providing potential tax advantages for both parties involved.

Complying with Rules and Regulations in Section 125 Plans

To be considered IRS compliant, a Section 125 cafeteria plan must adhere to several key requirements. It is crucial to understand the distinction between qualified and non-qualified benefits within these plans, as they must comply with specific rules and regulations.

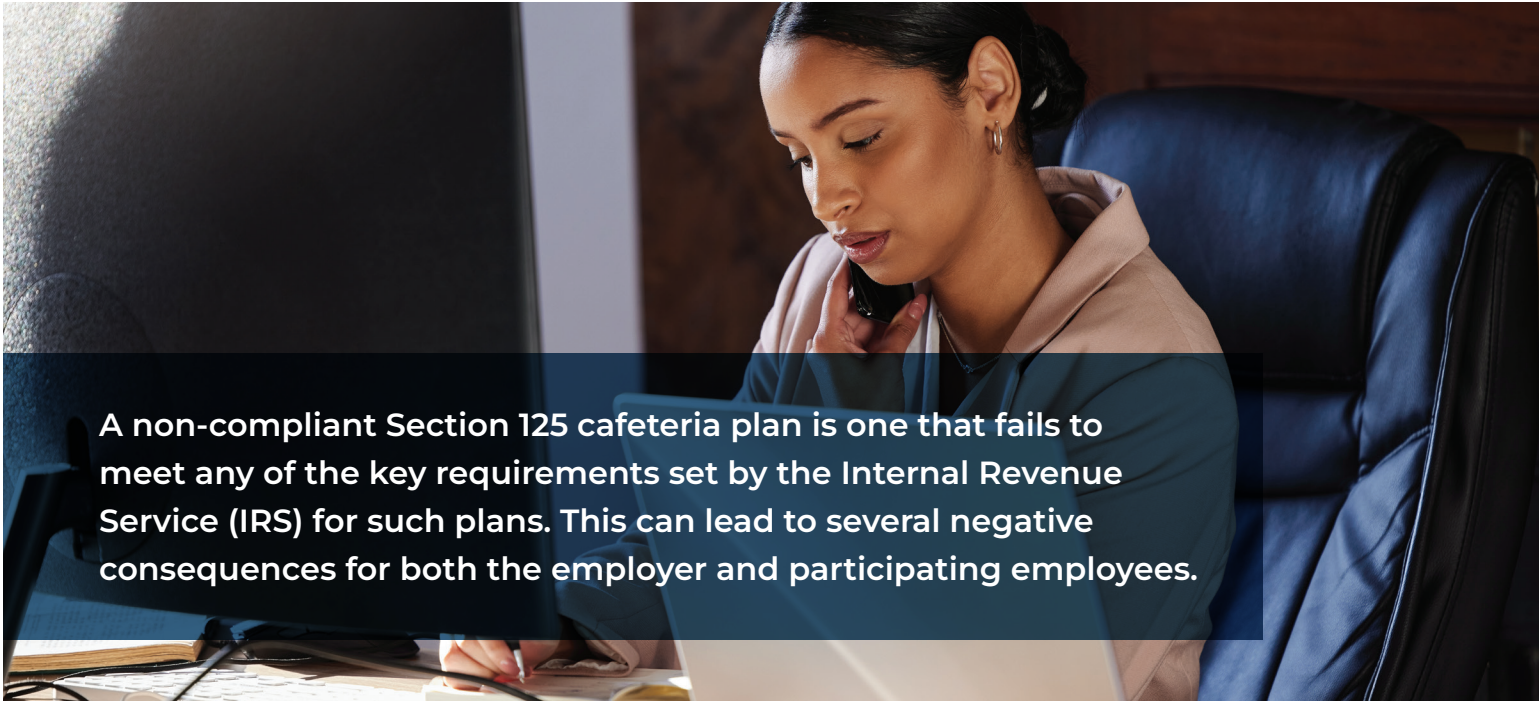
Basic Structure

- **Written plan**
It must be a formal written document outlining the plan's details, including eligible participants, offered benefits, contribution limits, election rules, and procedures.
- **Choice between taxable and non-taxable benefits**
Employees must have the option to choose from at least one taxable benefit (usually cash) and one qualified benefit (tax-free benefit).
- **Qualified benefits**
The offered non-taxable benefits must qualify under specific provisions of the Internal Revenue Code, such as health insurance, dependent care assistance, adoption assistance, and group-term life insurance.

Non-discrimination

- **Highly compensated employee (HCE) rules**
The plan must not favor highly compensated employees in terms of eligibility, contributions, or benefit utilization. Nondiscrimination testing may be required annually unless a safe harbor exemption applies.
- **Plan usage**
Participation should be open to all eligible employees on equal terms, regardless of their salary or position.

These benefits are known as “pre-tax” because they are deducted from an employee’s salary before taxes are calculated. As a result, employees save on both federal income tax and Social Security taxes. On the other hand, non-qualified benefits refer to those that do not meet the requirements set forth by Section 125. These typically encompass life insurance premiums, long-term care coverage, and some types of voluntary supplemental insurance.



A non-compliant Section 125 cafeteria plan is one that fails to meet any of the key requirements set by the Internal Revenue Service (IRS) for such plans. This can lead to several negative consequences for both the employer and participating employees.

Characteristics of a non-compliant Section 125 plan

Missing or inadequate written plan

- No formal document outlining the plan's details, leaving participants and administrators unclear about rules and procedures.
- Lack of information on eligibility, benefits, contribution limits, and election processes.
- Insufficient choice between taxable and non-taxable benefits—no option for employees to choose at least one taxable benefit (usually cash) alongside qualified benefits.
- All offered benefits might be taxable, negating the tax advantage of a Section 125 plan.
- Discrimination favoring highly compensated employees (HCEs)—e.g. participation restricted to certain positions or salary levels, excluding other eligible employees.
- Qualified benefits offered may not comply with IRS regulations.
- Higher contribution limits or more generous benefits offered to HCEs compared to other employees.
- Failing to pass annual nondiscrimination tests without implementing a safe harbor exemption.

Administrative issues

- Lack of clear communication with employees about the plan, elections, and changes.
- Inadequate recordkeeping of contributions, elections, and benefit usage.
- Failure to update the plan and procedures in response to new IRS regulations.

Consequences of non-compliance

- Tax penalties: The IRS can impose tax penalties on both the employer and employees for non-compliant plans. This can significantly increase the cost of maintaining the plan.
- Loss of tax benefits: Employees may lose the tax-free advantage of their contributions and benefits.
- Repayment of back taxes: In severe cases, employees may be required to repay previously claimed tax-free benefits.
- Reputational damage: Public awareness of non-compliance can hurt the employer's reputation and employee morale.



Implementing and managing a Section 125 plan requires careful consideration of administrative costs and employee participation. By effectively addressing these aspects, employers can ensure the success and viability of their benefits program.

Administrative Costs and Employee Participation in Section 125 Plans

To manage administrative costs, employers should first assess their needs and budget constraints. It is crucial to choose a plan administrator that offers competitive pricing while providing comprehensive services.

Conducting thorough research on different providers will help identify those that offer affordable fees without compromising the quality of administration. Simplifying the enrollment process is another way to reduce administrative costs. Employers should strive

for a streamlined system that allows employees to easily understand and enroll in the Section 125 plan. Utilizing online platforms or self-service portals can simplify enrollment, minimize paperwork, and decrease administrative burdens.

To encourage employee participation, effective communication is key. Employers should educate their workforce about the benefits of participating in a Section 125 plan, emphasizing potential tax savings, and increased take-home pay.

Eligibility Requirements and HR Management Incorporating Section 125 Plans for Health Insurance Premiums

To be eligible for a Section 125 Plan, employees must meet certain criteria. Generally, employers can offer this benefit to all full-time employees who work at least 30 hours per week.

However, part-time employees may also be eligible if they meet specific requirements. It is

crucial for HR managers to carefully review and communicate these eligibility criteria to ensure fairness and compliance within the organization. HR managers play a vital role in managing the implementation of Section 125 Plans.



iWise safeguards your Section 125 Cafeteria Plan's IRS compliance by crafting a comprehensive written document. This document clearly details everything you need, from eligible participants and offered benefits to contribution limits, election rules, and procedures.

Secure IRS compliance for your Section 125 Cafeteria Plan with iWise Insurance

iWise partners with HR to seamlessly inform employees about WiseFlex Plus. This includes clear communication of plan details, eligibility requirements, and enrollment processes. We also streamline paperwork by establishing proper documentation and processes, ensuring accurate form completion. Beyond paperwork, we empower employees by educating them on

the plan's benefits, maximizing their participation and satisfaction.

iWise Insurance supports HR in communicating the Section 125 Plan with clear information, streamlined paperwork, and employee education. We help both employees and employers understand and maximize the plan's benefits.

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