

# Pre-tax and Post-tax Considerations

We get a lot of questions about pre- and post- tax treatment of the monthly contributions to your Sedera membership. The following are some thoughts that can help you think through some of the aspects of participating in Sedera' Medical Cost Sharing community.

**DISCLAIMER:** Sedera cannot and does not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to be, and should not be relied on for, tax, legal or accounting advice. It is strongly recommended that all Sponsoring Entities and Members should consult their own tax, legal or accounting advisors concerning their particular situation.

## What is your relationship with the member?

How you handle the member's contribution towards the Sedera's Medical Cost Sharing membership will vary depending on the relationship you have with the member. If the member is your W-2 employee, you will most likely withhold the monthly contribution of participating in Sedera and pre-tax and post-tax considerations will come into play. If you have no W-2 relationship with the member, the member will be paying the cost of the contribution to you for Sedera's Medical Cost Sharing membership and therefore it will all be post-tax.

## Defining the relationship with your member.

The IRS has clear definitions around what qualifies individuals as W-2 employees. The IRS has a Fact Sheet that outlines the [differences between W-2 \(employees\) and 1099 \(contract\) workers when classifying a worker](#). Correct classification of a worker is the responsibility of your organization.

## Components of Medical Cost Sharing

Pricing for membership in Sedera Medical Cost Sharing is referred to as the Monthly Member Contribution and is broken into two components – Member Services and Medical Cost Sharing. The Tobacco Surcharges are additional shares towards the community and are treated the same as Medical Cost Sharing.

## Member Services

This portion of your Medical Cost Sharing monthly contribution is used to pay for telemedicine, 2<sup>nd</sup>.MD consultations, and your medical concierge/billing negotiation services. It may qualify as a Fringe Benefit Exclusion under your Section 125 plan. Excluded benefits aren't subject to federal income tax withholding, social security, Medicare, federal unemployment (FUTA) tax, or Railroad Retirement Tax Act (RRTA) taxes and aren't reported on Form W-2.

### **Medical Cost Sharing**

Medical Cost sharing amounts are funds that go directly towards the sharing of Needs in our community. Medical Cost Sharing is not insurance and does not qualify as a Fringe Benefit Exclusion. Any fringe benefit you provide is taxable and must be included in the recipient's pay.

### **Liberty RX**

If you have members that elect to participate in this optional discount prescription program, it may qualify as a Fringe Benefit Exclusion under your Section 125 plan.

### **We are NOT tax, legal or accounting advisors**

Pre-tax and post-tax withholdings are the responsibility of each Sponsoring Entity. We have provided some considerations for you to discuss with your tax advisor when determining what, if any, portion of Sedera's Medical Cost Sharing Monthly Member Contributions can be withheld on a pre-tax basis.