



**Employers One Source Group**  
A Professional Employer Organization

## Cafeteria Plans (Section 125)

### Can you attract and retain the best employees?

Section 125 of the IRS Code contains a provision for most organizations to allow their employees to use tax-free money to pay for their Out-of-pocket Group Insurance Premiums, Unreimbursed Medical/Dental Expenses (most expenses that are not covered by insurance), and Dependent Day Care.

Both the Employee and the Employer realize tax-savings. The Employee does not have to pay Federal, State, FICA and all other payroll taxes on the money they use to pay for the qualified benefits. Employers save two ways. First, since the Employee is excluded from paying the FICA tax, the Employer does not have to pay the matching FICA amount. Second, Workers' Compensation premiums are reduced because the tax-free money the Employees use to pay for their benefits is not considered wages, thus reducing the Employer's gross payroll.

Cafeteria Plans can help your company in many ways;

- Increase employee satisfaction and improve morale.
- Generate substantial tax savings for both the employer and employees.
- Contain Benefit Costs.
- Meet Diverse Employee needs through choice.
- Provide a framework in which your benefit plan can evolve to keep pace with changing needs.