



My Company has a Section 125 Plan

Take the following quiz to see if your plan is in compliance:

Yes No

1. Do you have a written plan document in your files?
2. Have you properly amended your plan to reflect any changes that you made to the plan year, eligibility requirements, benefits, employee HSA contributions, or IRS regulations? (There have been changes in IRS Regulations each of the last 6 years.)
3. Have your employees received a copy of the current Summary Plan Description?
4. Is the total of all benefits for Key Employees in the plan no more than 25% off the total of all benefits of the plan?
5. Do you have current signed election enrollment forms or electronic enrollment on file for all eligible employees?
6. Do you require all election changes to be made only during the open enrollment period each year unless the employee has experienced a valid change in status as outlined in the Section 125 Regulation?
7. As your new employees become eligible for participation in the plan, do you require that they complete election enrollment forms or online enrollment?
8. Do you have documentation on file to support annual nondiscrimination testing requirements?
9. Are the premiums for all policies that include a "cash value" or a "return of premium" benefit deducted on an after-tax basis outside of the Section 125 plan?

If you answered "NO" to any of these questions, your plan may be out of compliance. The Internal Revenue Code provides for significant penalties for failure to comply with these requirements. The severity of penalties depends on the severity of the infractions. You may want to consult with your tax professional and/or regarding your noncompliance risk.

Throughout this document, "Savings" refers only to tax savings. No part of this document constitutes tax, financial, or legal advice. Please consult your advisor regarding your personal situation and whether this is the right program for you.