Paying premiums on a pre-tax or post-tax basis



Advantages for the employee of paying premiums on a pre-tax basis:

- Lowers taxable income which may result in savings
- Tax savings may help make the purchase of benefits more affordable

Things You Should Know:

- FICA taxes are taxes for social security and Medicare and are in addition to federal and state income taxes.
- Pre-tax premiums are paid before taxes are withheld, which lowers taxable income. You will not pay income and FICA taxes on the dollars used for your premiums.
- Post-tax premiums are paid after taxes are withheld. You do not receive a tax benefit on the dollars used for your premiums.
- If premiums are paid on a post-tax basis, benefits are not considered taxable income and a Form 1099 is not required.

Example of pre-tax savings:

Amanda earns a salary of $1,500.00 every 2 weeks and purchases a dental plan.	Pay premiums with post-tax dollars	**Pay premiums with pre-tax dollars**
Gross pay	$1,500	**$1,500**
Pre-tax premiums	$0	**-$50**
Taxable income	$1,500	**$1,450**
Federal, State and FICA taxes	-$236	**-$224**
Post-tax premiums	-$50	**$0**
Take-home income	$1,214	**$1,226**
Savings per pay period with pre-tax premiums:		**$12**
Annual savings with pre-tax premiums:		**$312**

Click our YouTube channel link on our website to watch videos about this and other benefits education topics.

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While this document provides a general overview of paying premiums on a pre-tax basis, it should never replace advice from your own tax advisor concerning your personal situation.

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