

Employee **Benefits** Corporation

Nondiscrimination Testing Data Collection



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An employee-owned company



August



Introduction to Health Savings Accounts (HSA)

Sue Sieger, ACFEI, CAS, 60 minutes

By attending this webinar you'll learn:

- What is a Health Savings Account (HSA)?
- Who is eligible for an HSA?
- Who can make HSA contributions?
- What are the HSA contribution limits?
- What expenses are tax-deductible under the HSA?
- What reporting is required for the HSA and who is responsible?

Audience: All clients, brokers

Register and attend!

📅 Thur, August 10, 2017 1:00 PM - 2:00 PM CST

📅 Tues, August 22, 2017 10:00 AM - 11:00 AM CST

Downloads

Slide Handout

Nondiscrimination Testing Data Collection

Jessica Theisen, FCS, 60 minutes

By attending this webinar you'll learn:

- What data is required for nondiscrimination testing?
- What are some common data errors?
- How do I complete The BESTflexSM Plan Nondiscrimination Testing Worksheet?

Audience: All clients, brokers

Register and attend!

📅 Tues, August 29, 2017 10:00 AM - 11:00 AM CST

Downloads

Not yet available



Why complete testing

Why complete testing

- **IRS mandated**
 - No exceptions
 - Tax-advantage may be lost if non-compliant
- **Results needed upon audit**
- **Time sensitive corrections required upon failure**

Completing the Worksheet

Completing the Worksheet

Section 1: Company Information

- **Company Name, Group ID, and Plan End Date appear in e-mail**
- **Also appear online once logged in**
- **Contact person will be contacted with questions regarding data**
- **Primary contact for group will be contacted regarding results**
 - Cannot set a nondiscrimination result contact
 - Changes should go through Client Services Consultant

Completing the Worksheet

Sections 2 and 3: Premiums

- **Pre-tax premiums are part of a Cafeteria Plan**
 - Usually companies sponsor only one Cafeteria Plan
 - BESTflex Plan is a Cafeteria Plan
 - Even if no FSAs are offered within that BESTflex Plan
- **Nondiscrimination Testing tests Cafeteria Plan**
- **Self-funded plans use COBRA premium equivalent**

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 2: Report employer contribution amounts – Question 1**
 - Group medical plan only
 - Example 1: Company A
 - **Pays single premium only for enrolled employees**
 - 100% for single (\$600/\$600)
 - 100% of single for limited family (\$600/\$725) or 83% of total premium
 - 100% of single for family (\$600/\$1000) or 60% of total premium
 - **Answers no**

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 2: Report employer contribution amounts – Question 1**
 - Example 2: Company B
 - **Pays single premium for enrolled EEs and 50% towards additional coverage**
 - 100% for single (\$600/\$600)
 - 100% of single for limited family plus 50% of additional cost (\$600+\$62.50/\$725) or 91% of total premium
 - 100% of single for family plus 50% of additional cost (\$600+\$200/\$1000) or 80% of total premium
 - **Answers yes**

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 2: Report employer contribution amounts – Question 2**
 - Group medical plan only.
 - Example 1 – Company A & B
 - No coverage to part-time employees
 - Answers no
 - Example 2 – Company C
 - Company pays 50% of premium for EEs who work at least 35 hours
 - EEs who work less than 35 hours, company pays 0% of premium
 - Answers yes

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 3: Report premium amounts**
 - Determining which box to check
 - Consider all pre-tax plans other than FSAs
 - **Example 1 – Company A**
 - List benefit plans
 - » Health (EE pays part pre-tax if elects limited family or family coverage)
 - » Dental (EE pays all pre-tax)
 - » Vision (EE pays part pre-tax)
 - » Life (EE pays all post-tax)

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 3: Report premium amounts**
 - Determining which box to check
 - **Consider all pre-tax plans other than FSAs**
 - **Example 1 – Company A**
 - Determine which are in plan
 - » **Health – limited family or family coverage**
 - » **Dental**
 - » **Vision**
 - Chooses third box

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 3: Report premium amounts**
 - Determining which box to check
 - **Consider all pre-tax plans other than FSAs**
 - **Example 2 – Company C**
 - List benefit plans
 - » **Health (EE pays part pre-tax)**
 - » **Dental (EE pays nothing)**
 - » **Life (EE pays all post-tax)**
 - » **Disability (EE pays nothing)**

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 3: Report premium amounts**
 - Determining which box to check
 - **Consider all pre-tax plans other than FSAs**
 - **Example 2 – Company C**
 - Determine which are in plan
 - » **Health**
 - Chooses second box

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 3: Report premium amounts**
 - Determining which box to check
 - **Consider all pre-tax plans other than FSAs**
 - **Example 3 – Company D**
 - List benefit plans
 - » Health (EE pays nothing)
 - » Dental (EE pays nothing)
 - » Life (EE pays nothing)
 - » Hospital indemnity (EE pays nothing)
 - » Disability (EE pays nothing)
 - » AD&D (EE pays nothing)

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 3: Report premium amounts**
 - Determining which box to check
 - **Consider all pre-tax plans other than FSAs**
 - **Example 3 – Company D**
 - Determine which are in plan
 - » **NONE**
 - Chooses first box

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 3: Report premium amounts**
 - Determining total premiums for one month
 - **Example 1 – Company A**
 - List benefit plans
 - » **Health – limited family or family coverage**
 - » **Dental**
 - » **Vision**
 - Add all premiums for benefits in plan
 - Subtract off post-tax premiums (COBRA, retiree, etc.)
 - Subtract off coverage paid by company at 100%

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 3: Report premium amounts**
 - Determining total premiums for one month
 - **Example 2 – Company C**
 - Determine which are in plan
 - » **Health**
 - Add all premiums for benefits in plan
 - Subtract off post-tax premiums (COBRA, retiree, etc.)
 - Subtract off coverage paid by company at 100%

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 3: Report premium amounts**
 - Determining total premiums for one month
 - **Example 3 – Company A (self-funded)**
 - List benefit plans
 - » **Health – limited family or family coverage**
 - » **Dental**
 - » **Vision**
 - Determine how many paid something pre-tax for benefits in plan
 - Determine COBRA premium equivalent for each coverage
 - Sum to obtain total

Completing the Worksheet

Sections 2 and 3: Premiums

- **Section 3: Report premium amounts**
 - Determining total premiums for one month
 - **Review**
 - Employee pays 100% pre-tax: Report 100% of cost
 - Employee pays portion pre-tax: Report 100% of cost
 - Employee pays 100% post-tax: Not part of plan; report 0% of cost
 - Employee pays portion post-tax: Not part of plan; report 0% of cost
 - Employer pays 100%: Not part of plan; report 0% of cost

Completing the Worksheet

Section 4: HSAs

- **Health Savings Accounts are tax-free bank accounts (not FSAs)**
- **Testing requirement not dependent on HSA participation**
- **HSA contributions are part of Cafeteria Plan if pre-tax deduction option exists**

Completing the Worksheet

Section 4: HSAs

- **Report pre-tax Health Savings Account (HSA) amounts**
 - Both company and employee dollars included if employee is allowed to pre-tax contributions
 - Example
 - **Company contributes \$1000 on 1/1**
 - **EE can contribute pre-tax**
 - **18 employees are given \$1000**
 - $\$1000/12 * 18 + \text{EE pre-tax dollars during month}$

Completing the Worksheet

Section 5: Report compensation period

- **This section applies to non-calendar plan years**
- **Calendar plan years, leave blank**
- **Non-calendar plan years can report compensation**
 - For prior plan year (preferred method)
 - For calendar year ending during plan year (alternative method)

Completing the Worksheet

Sections 6-10: Employees

- **Employees to include**
 - Owners listed regardless of participation, termination, or change in ownership
 - Officer is mandatory
 - **Examples: CEO, President, General Manager, Superintendent, City Administrator (or those assigned their duties)**
 - **No Board of Directors members unless employees**
 - **Do not duplicate an owner unless not all owners are officers**

Completing the Worksheet

Sections 6-10: Employees

- **Employees to include**
 - HCIs are EEs who earned over \$120,000 (2016) based on compensation period
 - **Do not duplicate owner or officer**
 - Family Attribution are EEs related to owner, officer, or HCI
 - **Employee who is a spouse, child, parent or grandchild of employee listed in Section 6, 7, or 8**

Completing the Worksheet

Sections 6-10: Employees

- **Employees to include**
 - Non-HCIs
 - **All other EEs not listed previously who were employed during plan year regardless of eligibility, participation, or termination**
 - Any employee employed at start of plan year
 - Any employee hired during plan year
 - No employees who terminated prior to plan year
 - **Include EEs of any company part of the same controlled group**
 - **Do not duplicate owner, officer, or family attribution**

Completing the Worksheet

Sections 6-10: Employees

- **Employees to include**
 - Union only plan
 - **List all employees – union or not**
 - Union employees exempted from plan
 - **List union employees as one employee**
 - **Example**
 - 20 employees
 - “No” to eligible
 - “Yes” to collectively bargained
 - Leave date of hire, birth date and compensation blank

Completing the Worksheet

Sections 6-10: Employees

- **Annual compensation**
 - Gross compensation includes
 - Any pay received due to employment
 - Any non-monetary benefits that are taxable
 - Any pay received that was then deferred into a tax-free account
 - Not Box 1 W-2 wages
 - **Add back any pre-tax deductions including**
 - Cafeteria Plan (premiums, FSAs, HSA contributions)
 - 401(k)

Completing the Worksheet

Sections 6-10: Employees

- **Annual compensation**
 - Example
 - **Laptops and Car allowances (do not include)**
 - While working, not taxable, not pre-tax
 - **Housing allowances and Bonuses (include)**
 - While working, taxable
 - **Severance (do not include)**
 - Not while working

Completing the Worksheet

Sections 6-10: Employees

- **Annual compensation**
 - Reporting period: 12 month plan year
 - **Employees who were not new hires**
 - Prior plan year gross compensation or calendar year that ended during the plan year, if using alternative method for fiscal plan year
 - **Employees who were new hires**
 - Estimated current plan year gross compensation or calendar year ending after the plan year, if using alternative method for fiscal plan year

Completing the Worksheet

Sections 6-10: Employees

- **Annual compensation**
 - Reporting period: short plan year
 - **Based on end date of short plan year**
 - **Employees who were not new hires**
 - Gross compensation for 12 month period ending one year prior to end date of short plan year or calendar year ending during the short plan year, if using alternative method for fiscal plan year
 - » **Example: July 1, 2017 to January 31, 2018 plan year**
 - February 1, 2016 to January 31, 2017 compensation or
 - January 1, 2017 to December 31, 2017 compensation

Completing the Worksheet

Sections 6-10: Employees

- **Annual compensation**
 - Reporting period: short plan year
 - **Based on end date of short plan year**
 - **Employees who were new hires**
 - Gross compensation for 12 month period ending on end date of short plan year or calendar year ending after the short plan year, if using alternative method for fiscal plan year
 - » **Example: July 1, 2017 to January 31, 2018 plan year**
 - February 1, 2017 to January 31, 2018 compensation or
 - January 1, 2018 to December 31, 2018 compensation

Completing the Worksheet

Sections 6-10: Employees

- **Annual compensation**
 - Gathering data
 - **Report 1 (Active at start)**
 - Report of employees active on last payroll of last plan year with gross earnings, birth date, hire date, eligibility status and termination date
 - Delete off any employee who terminated prior to current plan year and edit eligibility status if that changed

Completing the Worksheet

Sections 6-10: Employees

- **Annual compensation**
 - Gathering data
 - **Report 2 (Mid-year hires)**
 - Report of employees hired during current plan year with gross earnings, birth date, hire date, eligibility status and termination date
 - Project compensation for non-terminated employees to determine estimated gross compensation
 - Do not alter compensated for terminated employees

Completing the Worksheet

Sections 6-10: Employees

- **Annual compensation**
 - Gathering data
 - **Put two reports together, move employees to correct sections and add additional information if applicable**

Completing the Worksheet

Sections 6-10: Employees

- **Percentage of Ownership (Section 6)**
 - List all owners if taxed as a Partnership, otherwise can limit to any owners with 1% or more ownership
 - Do not list non-employee shareholders
 - Report highest percentage of ownership during plan year
 - List owner regardless of any other factors such as eligibility or participation

Completing the Worksheet

Sections 6-10: Employees

- **Monthly premiums (Sections 6-9)**
 - Pre-tax benefit plans other than FSAs, 401(k), etc.
 - **Example 1**
 - Employee participates in
 - » Health (partial pre-tax contribution)
 - » Dental (total pre-tax contribution)
 - » Vision (partial pre-tax contribution)
 - » Life (total post-tax contribution)
 - » Hospital indemnity (total pre-tax contribution)
 - » Disability (no contribution)

Completing the Worksheet

Sections 6-10: Employees

- **Monthly premiums (Sections 6-9)**
 - Pre-tax benefit plans other than FSAs, 401(k), etc.
 - **Example 1**
 - Benefits in Cafeteria Plan
 - » Health (partial pre-tax contribution)
 - » Dental (total pre-tax contribution)
 - » Vision (partial pre-tax contribution)
 - » Hospital indemnity (total pre-tax contribution)
 - Add employee deduction and company contribution (full cost)

Completing the Worksheet

Sections 6-10: Employees

- **Monthly HSAs (Sections 6-9)**
 - Pre-tax Health Savings Account contributions
 - Part of Cafeteria Plan if employee can contribute pre-tax
 - Add employee deduction and company contribution (full deposit)
- **Annual FSA Elections (Sections 6-10)**
 - Self FSAs only
 - Full FSA customers' data pulled from our records

Completing the Worksheet

Sections 6-10: Employees

- **Eligibility (Sections 7-10)**
 - Eligible for Cafeteria Plan benefits
 - Different eligibility for different benefits
 - Yes if eligible for at least one Cafeteria Plan benefit during plan year
 - Changing eligibility during plan year
 - Yes if eligible for at least one Cafeteria Plan benefit during plan year
- **Collectively Bargained (Sections 8-10)**
 - Member of a union that bargains collectively for benefits

Completing the Worksheet

Sections 6-10: Employees

- **Related to (Section 9)**
 - Why is this person here?
 - Who are they related to?
- **Relationship (Section 9)**
 - How are they related to owner, officer or HCI?
- **Tax Dependent (Section 9)**
 - Are they claimed as a tax dependent on taxes?

Completing the Worksheet

Sections 6-10: Employees

- **Duplication (Section 9)**
 - Officer or HCI is related to owner
 - **Owner in Section 6**
 - **Officer or HCI listed in Section 9 in addition to Officer or HCI section**
 - HCI is related to owner or officer
 - **Owner or officer in appropriate section**
 - **HCI listed in Section 9 only**

Completing the Worksheet

Sections 6-10: Employees

- **Duplication (Section 9)**
 - Owner is related to owner
 - **Both owners in Section 6**
 - **One owner listed in Section 9 in addition to Owner section**
 - Non-HCI is related to owner, officer or HCI
 - **Owner, officer or HCI in appropriate section**
 - **Non-HCI listed in Section 9 only**

Questions?

- Any questions can be addressed by e-mail or phone at your convenience

Compliance Department

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Thanks for Attending!!

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