

Premium Option Plan (POP) for Plan Year 2012

The Premium Option Plan (POP) is a benefit available to State employees participating in the State Health Benefits Program (SHBP) under the State’s Tax Savings Program. The POP allows you to save money by paying any dental or medical contributions and premiums for your SHBP coverages with before-tax dollars; you won’t have to pay federal income taxes, Medicare, or Social Security taxes on money earned which is used to pay contributions and premiums. Since, through POP, you pay less in taxes, enrollment in the plan for 2012 will be automatic *unless you decline enrollment* by completing the form on the bottom of the reverse side of this page and returning it to your campus Human Resources Office.

Take Home Income With and Without the POP

With POP

Net Biweekly Salary*	\$ 2,000.00
Less 1.5% Medical/Rx Contribution**	30.00
Less Dental Premium**	28.14
Taxable Salary	\$ 1,941.86
Less Taxes:	
Federal	212.98
FICA	148.55
Salary after Taxes	\$ 1,580.33
Spendable Income	\$ 1,580.33
Additional Spendable Biweekly Income	13.17
Annual Savings***	\$ 342.42

Without POP

Net Biweekly Salary*	\$ 2,000.00
Taxable Salary	\$ 2,000.00
Less Taxes:	
Federal	221.70
FICA	153.00
Salary after Taxes	\$ 1,625.30
Less 1.5% Medical/Rx Contribution**	\$ 30.00
Less Dental Premium**	28.14
Spendable Income	\$ 1,567.16

* Salary after state income tax and pension (414h) deduction.

** Medical/Rx Contribution assumes employee is subject to the minimum 1.5% contribution under the recently passed health care reform legislation. Dental Premium based on Dental Expense Plan 2011 plan year rate for Family coverage (26 pay periods).

*** Savings assuming federal tax at the 15% bracket. At the 25% or higher tax brackets, the annual savings would be higher.

A summary of the advantages and disadvantages of the POP are shown below.

ADVANTAGES

Increase your take-home pay by reducing your federal taxes.

You will not have to pay federal income taxes, Medicare, or Social Security taxes on money earned which is used to pay contributions or premiums.

DISADVANTAGES

May reduce your Social Security wage base. For those employees approaching Social Security age, this may slightly affect your Social Security payments when you eventually collect them.

If you participate in the POP, you will not be able to deduct your medical or dental contributions or premiums on Schedule A of your federal income tax return.