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## FINANCIAL FOCUS



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## Your Accounting for a New Economy

# Looking to Attract New Hires?

## The Benefits of Pretax Benefits...

As the baby boomers begin to retire and the next generation becomes a stronger presence in the workforce, demand for highly skilled workers is only going to increase. Many companies offer a nice compensation package to lure potential employees their way, but most overlook the appeal a strong pretax benefits package can supply. Building up your company's pretax benefits can often give you the advantage you need to find the kind of quality people necessary to ensure the stability of your company for years to come.

### **What are Pretax Benefits?**

In broad strokes, pretax benefits are any plans, benefits or accounts that employees pay into with money their employers withhold from their earnings before taxes are taken out. Pretax benefit plans such as these can allow employees an opportunity save money by paying into these accounts without having to pay FICA taxes on contributed funds.

### **What pretax benefits can you offer?**

**Retirement Plans** – Probably the most popular pre tax benefit, an employer-sponsored retirement plan allows your employees to begin saving pre tax money today for their eventual retirement. (Note: Contributions made to a 401(k) retirement plan are pre-income-tax only. FICA must still be paid on all 401(k) plan contributions.)

**Health Savings Accounts** – With the rising cost of insurance many companies have chosen to go with a high deductible health plan (HDHP) which can be coupled with a Health Savings Account (HSA). With an HSA employees make contributions into their accounts through pretax payroll deductions which they can then withdraw tax free to pay for most medical and dental costs. HDHP's must have an annual deductible of at least \$1,150 for individuals and \$2,300 for family coverage to qualify.

**Tuition Reimbursement** – In an effort to encourage continuing education among their staff, some companies offer tuition reimbursement. Tuition reimbursement can be a great way to attract driven, well-educated employees to your workforce. Highly customizable, these plans can be set up to cover as much or as little education expenses as you wish and neither you nor your employees are taxed on funds used for tuition.

**Child Care Reimbursement** – As the cost of quality child care continues to rise, one of the most attractive benefits a company can offer their employees is child care reimbursement. Still a rarity in the business community, this benefit can be a great way to get the attention of potential employees. Employers can reimburse their employees either a percentage or a fixed amount for day care, nursery schools, before and after school programs and private sitters without any tax consequences for your company or your employees. The cap for this type of reimbursement is \$5,000 per year.

**Life, Disability and Long-Term Care Insurance** – One of the most affordable pretax benefits a company can offer is life, disability and long-term care insurance. The cost of the insurance premiums can be deducted from your employees' paychecks pretax and since you're buying coverage as a group you can often receive a lower rate. In this scenario, employees don't pay taxes on their premiums and for most employers the insurance coverage they offer is deductible. (Important Note: There is a \$50,000 limit on life insurance coverage, but that same cap does not apply to disability, long-term care or special coverage such as cancer insurance.)

**Commuter Costs** – Our culture's current push to go green has even reached pretax benefits. In order to encourage the use of buses, light-rail and other public transportation options many employers are offering their employees the opportunity to deduct transportation costs from their paychecks pretax saving them both FICA and federal income tax. In 2009 eligible costs included up to \$230 per month for car pool parking and \$120 per month for mass transit expenses. This year employers were also allowed to exclude \$20 per month paid to employees who commute by bicycle.

### **Stand Out From the Pack**

More than any other single area pretax benefits allow the greatest opportunity for potential employers to differentiate themselves in this competitive environment. But like any other business decision you should carefully weigh the implications of any potential plan before implementing it. If you would like to look into the possibility of incorporating any of these pretax benefits for your own company, the trusted advisors at Lane Gorman Trubitt, L.L.P. can help. Contact Scott Cote, Director of Practice Growth at (214) 461-1467 or by email at [scote@lgt-cpa.com](mailto:scote@lgt-cpa.com).