Research Foundation for Mental Hygiene, Inc.

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Health Insurance Pre-Tax Contribution Policy (PTCP)

Under the Pre-Tax Contribution Policy (PTCP), you may have your share of your health insurance premium deducted from your gross wages before taxes are withheld. This may lower your taxes.

Who is Eligible

If you are an active Foundation employee who receives a regular payroll check and who has health insurance premiums withheld from your pay check, you are eligible to participate in the PTCP.

You will not be eligible to participate in the PTCP if you pay for your health insurance directly instead of by payroll deduction. (For example, if you are on leave without pay)

Tax Savings

Making contributions to your health insurance premium on a pre-tax basis (contributions are made before taxes are withheld) effectively reduces your salary by the amount of your contribution. Therefore, you pay taxes based on a lower salary. These salary-based taxes include Federal income taxes, Social Security taxes, and most State and local income taxes. (If you live in New Jersey or in Erie, Philadelphia or Pittsburgh, Pennsylvania, you are not allowed to reduce your State or local taxable income by the amount of your health insurance contribution. If you live in these areas, only your Federal income taxes and Social Security taxes will be affected. Contact your tax advisor for advice on how participation in the PTCP will affect you.)

The amount you save in taxes will depend on the amount of your income, your premium and the number of withholding allowances that you claim on your taxes.

Automatic Deductions and Opt-Out Period

Because the Foundation believes that participation in PTCP is in the best interest of its eligible employees, you will automatically become a participant unless you elect to waive your participation. New employees who want to opt out must do so when they enroll for health insurance coverage. Once enrolled, you may opt out only during the designated Open Enrollment period.

What is a Qualifying Event

The following events are defined as qualifying by the IRS:

- The employee has a change in family status (e.g. marriage, birth, death, legal separation, divorce, only dependent child's attaining the maximum age of coverage).
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- The employee's spouse loses coverage due to termination of employment and must apply for coverage for the spouse.
- The employee first becomes eligible for health insurance after the beginning of the tax year.
- The employee's employment with the Foundation terminates.

- The employee's spouse has a change in employment status which results in either acquiring or losing eligibility for health insurance coverage.
- The employee receives a divorce or legal separation and is required under court order to provide health insurance coverage for the employee's eligible dependent children.
- There is a significant change in the employee's or the employee's spouse's health coverage which is attributable to the spouse's employment.

Changes Not Permitted During the Year

IRS (Internal Revenue Service) regulations require an employer to make a fixed pre-tax contribution toward an employee's coverage throughout the PTCP year unless a qualifying event or a significant change in your spouse's employment occurs. Changes that do not stem from a qualifying event or a significant change in your spouse's employment are defined by the IRS as arbitrary health insurance changes. These arbitrary changes in health insurance coverage cannot change the amount of your pre-tax insurance deduction.

Since there can be no change in your pre-tax deduction once the amount is set for the year, enrollees who are enrolled in the PTCP are not permitted to make the following two changes during the program year:

- You may not change from Family to Individual coverage while your dependents are still eligible for coverage unless the change stems from a qualifying event or a significant change in your spouse's employment.
- You may not voluntarily cancel your coverage while you are still eligible for coverage unless the change stems from a qualifying event or a significant change in your spouse's employment.

Additionally, IRS regulations will affect enrollees in the PTCP who change from Individual to Family coverage in the absence of a qualifying event or a significant change in your spouse's employment. If the change from Individual to Family coverage does not stem from a qualifying event or significant change in your spouse's employment, the Individual portion of your health insurance premium would continue to be a pre-tax contribution. However, the additional premium required for Family coverage would be taken as a post-tax contribution.

These limitations apply only to changes during the program year when there is no qualifying event or a significant change in your spouse's employment.

Remember, once you have enrolled in PTCP the amount of your pre-tax health insurance deduction will remain the same for the year unless you have a qualifying event.