

Door & Glass Services, Inc.

Benefits Provided

Door & Glass Services, Inc. provides a “menu” of benefits for an employee to select from, depending on his or her individual situation. The company also provides to pay for some of the costs of these benefits. The balance of the cost is the responsibility of the employee.

Most companies provide that the employee cost for benefits will be deducted from payroll after Federal, State, and Social Security taxes are withheld. However, using Section 125 of the Internal Revenue Code governing “Cafeteria Plan”, Door & Glass Services, Inc., allows you to reduce your taxable pay by your cost for the benefits selected.

The net effect of this plan is to save you approximately 30% on the cost of your benefits. In addition, the company can offer a wider variety of benefits catering to the different needs of individual employees without requiring the entire group to subsidize a benefit desired by only a few.

Plan Operation

Once you have reviewed the Menu of Benefits and their relative cost, you enroll in those programs that benefit you. Each program has your cost itemized.

Once you total the cost of your selected benefits, you enter into an agreement with the company to reduce your taxable pay by the cost of the selected benefits.

In turn the company agrees to pay the full cost of the benefits selected. The insurance plans selected will result in the company withholding your cost before taxes and paying the monthly premiums.

The Reimbursement Programs (medical expense and dependent care) call for the money withheld to be credited to an account that will reimburse you as you incur eligible expenses.

Tax Savings

The gross amount of your Cafeteria Plan withholding is not considered income and will not show up on your W-2 at the end of the year. Taxable income is reduced by the amount contributed, so you pay less in taxes!

Below is an illustrative example of the tax savings to an employee participating in the Cafeteria Plan.

With Cafeteria Plan

Gross Monthly Salary	\$1,600.00
Health Premium	\$(-\$80.00)
Gross Adjusted Salary	\$1,520.00
Income Tax	\$227.83
Social Security Tax	\$116.28
Total Tax Deductions	(\$344.11)
Take Home Pay	\$1,175.89

Without Cafeteria Plan

Gross Monthly Salary	\$1,600.00
Income Tax	\$240.33
Social Security Tax	\$122.40
Total Tax Deduction	\$(-\$362.73)
Net Salary	\$1,237.27
Health Premium	(\$80.00)
Take Home Pay	\$1,157.27

In this example, the monthly increase in take home pay is \$18.62, for an annual savings of \$223.44.

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Flexible Spending Accounts

Authorized under Section 125 of the Internal Revenue Code, a Flexible Spending Account (FSA) Plan allows you the opportunity to contribute pre-tax dollars to your choice of either a medical expense or dependent care account, or both.

These funds are then used as reimbursement for certain eligible expenses as they are incurred. As part of your Cafeteria Plan, a Flexible Spending Account Plan will also result in tax savings from the reduction of taxable income.

Medical Expense Account

The Medical Expense Reimbursement Account allows you, the employee, to use pre-tax dollars to pay medical expenses not covered by your insurance plan. These out of pocket expenses include:

- Eyeglasses and contract lenses
- Insurance deductibles
- Prescriptions
- Co-payments

Here's how it works:

- Employees decide how much of their salary should be set aside, before taxes are calculated, for annual qualified medical expenses.
- This amount is automatically deducted from their paycheck every pay period and is deposited into their reimbursement account.
- The employee would pay their out-of-pocket expenses up front, then submit a claim and documentation, and a reimbursement is made from their own account.

Dependent Care Account

Similar to the Medical Expense Reimbursement Account, the Dependent Care Reimbursement Plan, allow you to use pre-tax dollars to pay for the cost of dependent care expenses. These out of pocket expenses include:

- Care for a child under the age of 13
- Care for a disabled spouse or dependent incapable of caring for him/herself.
- Household-related services (i.e., visiting nurse)

Here's how it works:

- Employees decide how much of their salary should be set aside, before taxes are calculated, for annual qualified dependent care expenses.
- This amount is automatically deducted from your paycheck every pay period and is deposited into their reimbursement account.
- The employee would pay their out-of-pocket expenses up front, then submit a claim and documentation, and a reimbursement is made from their own account.

Remember!

Be sure to choose your elections carefully. Your benefit elections cannot be changed during the Plan Year unless you have a change in family status:

- Marriage, Legal Separation, or Divorce
- Birth or Adoption
- Death
- Employment status change for employee or spouse
- Change in premium Cost

Spend your money – any unused money remaining at the end of the year will be forfeited.