

SECTION 6.70 PRE-TAX PREMIUM CONVERSION PROGRAM

Last Update: 12/03

The Director of the Iowa Department of Administrative Services administers the Pre-Tax Premium Conversion Program for employees of the State of Iowa. Elements of the pre-tax program include the following:

- The Pre-tax Premium Conversion Program is designed for use by non-temporary employees who work at least 1,040 hours annually. For these employees, salary dollars used to pay eligible insurance premiums are not subject to federal income taxes, state income taxes, or social security (FICA) taxes. **Temporary employees are not eligible to participate in the program.** The program year is January 1 through December 31 of each year.
- The Internal Revenue Service (IRS) regulates how employees enroll and make changes in this program. Employees may decide on an annual basis, during a designated “enrollment period,” whether to participate in the pre-tax program. Employees automatically elect to enroll in the program unless they submit a change request to opt out. Once this selection is made, it cannot be changed unless there is a change in family or employment status and it affects one of the benefits that is pre-taxed or eligible to be pre-taxed.
- Except for new employees and changes in family or employment status, employees may only opt in or out of the pre-tax program during annual enrollment periods.
- The payment of insurance premiums on a pre-tax basis may reduce the employee’s social security wage base, and consequently social security benefits may be slightly reduced.
- Employees who elect the pre-tax benefit and later receive workers’ compensation or long-term disability benefits will not have those benefits reduced.
- State contracted group life insurance may be pre-taxed up to a total of \$50,000 without tax consequences. Employees who are eligible to purchase more than \$50,000 in life insurance may have a tax liability on the amount over \$50,000. A value of the insurance over \$50,000 will be added on the W-2 as taxable income.
- Annual enrollment periods will be announced to ensure that all employees have the opportunity to participate. A pamphlet and forms are available from personnel assistants.