



HRA Tax Savings for Business Owners

All Employees Need Tax-Free Health Benefits

As a Business Owner, you've worked hard to build your reputation, hire the right employees, make payroll, and grow your business. You've also struggled to find health benefits for yourself and your employees. The right health plan protects your employees, provides an environment that promotes their health and well being, and gives you peace of mind.

Consider using a Health Reimbursement Arrangement (HRA) as the foundation of your health plan. HRAs provide ultimate control and flexibility for the benefit plan you want to construct – not one dictated by your insurance carrier. When set-up correctly, HRAs provide better benefits for you and your employees while reducing your company's healthcare costs.

In addition, HRAs lower your company's tax bill. In fact, any money your company spends on employee benefits – including HRA reimbursements – reduces its Federal and state income taxes and payroll taxes (e.g. FICA and FUTA). That's savings that go into your pocket.

HRAs Create Significant Tax Savings for Business Owners

Because you're a Business Owner, you've probably heard that the IRS limits some tax benefits you personally receive from an HRA. IRS rules do state that employees who are sole-proprietors, partners, or S-Corp shareholders who hold more than two percent of their company's stock are not "eligible" to participate in the HRA.¹ Unfortunately, many Business Owners *mistakenly* believe that these rules prevent them from receiving *any* personal tax benefits from their company's HRA.

Fortunately, this isn't the case. As a Business Owner, you and your company may still receive nearly all the tax-benefits that your reimbursements to other employees create, including:

- **Lower personal income taxes.** You may deduct all reimbursements for individual health and accident insurance premiums on your income tax return, saving up to 50 percent on federal, state, and local income taxes.
- **Lower personal FICA taxes.** You do not pay FICA (7.65%) on any of the HRA reimbursements you personally receive.

¹ See Section 1.105-1(a) of the Internal Revenue Code, IRS Publication 969 (page 16) and Uniform Issue List 162.35-02.

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- **Lower company payroll taxes.** Your company excludes all HRA reimbursements you receive from the wages on which it must pay FICA tax (7.65%) and FUTA (0.8%).

You'll enjoy these tax benefits whether expenses were incurred for you, your spouse, and/or qualified dependents. As a result, you end up paying income taxes *only* on out-of-pocket medical expenses you incur that fall below the 7.5% AGI floor.²

Zane Benefits Gets You Tax Savings You Deserve

Although you may not be "officially" eligible for an HRA, using Zane Benefits' proprietary HRA platform makes it easy to comply with Federal tax laws and enjoy the tax savings to which you're legally entitled. Specifically, Zane Benefits:

1. Creates an IRS-compliant plan and process required for partners and 2% S-Corp shareholders to deduct health insurance premium payments and ensure tax-free reimbursement.
2. Substantiates your claims in accordance with IRS rules, and retains a seven-year record of all substantiated expense receipts for audit purposes.
3. Reports all your healthcare expenses and reimbursements, so you can provide your payroll company and tax advisors with exactly how much you and your company should deduct and report on payroll and income tax returns.
4. Suggests how to best structure your plan and health insurance options to maximize tax deductions for health care costs you and your family incur.
5. Coordinates HRA reimbursements received with HSA rules to ensure that if you have a Health Savings Account (HSA), you remain eligible to make tax-free contributions.

In short, we do the work so you can easily get the tax benefits you deserve.

Start Realizing Your Tax Benefits

As a Business Owner, you should enjoy all the possible tax advantages of an HRA-based health benefits plan. You can do this with an HRA from Zane Benefits.

Talk to your Zane Benefits Health Benefits Specialist today to get started.

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² See Form 1040, Schedule A. Under Revenue Ruling 71-588, in certain cases a sole-proprietor may deduct additional medical expenses if his or her spouse is a bona fide employee.

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