

BEFORE-TAX AND AFTER-TAX PREMIUMS

- **Overview**

Some benefits – like Basic Life – are automatic (union employees refer to your union contract). You do not need to choose them because Star Tribune pays the entire cost.

Benefit premiums that are withheld before taxes are Medical, Dental, Vision, Medical FSA, Dependent Care FSA, and HSA. See below for more information about LTD.

Benefit premiums that must be deducted after taxes are Optional Life and Spousal Life in accordance with current law.

There is a definite advantage to paying for some benefits with before-tax money. Deducting the premium before your taxes are calculated lowers the amount of your taxable pay. Therefore, you pay less in taxes and your take-home pay is greater.

Things to note

- **Taxability of disability benefits**

If you choose optional LTD coverage, your decision to pay your premiums on an after-tax or before-tax basis will affect the taxability of any LTD benefits you may receive in the future. The portion of your LTD benefits that is attributable to employer contributions will always be taxable. The portion of LTD benefits attributable to your contributions will be taxable if you elect to pay your premiums on a before-tax basis, or non-taxable if you elect after-tax premiums.

- **Social Security benefits**

Because the contributions you make on a before-tax basis are not taxed as wages for Social Security purposes (except in the case of 401(k) contributions), your ultimate Social Security benefits might be somewhat less than they could have been. This depends on many things, including your earnings history, whether you are above or below the Social Security “wage base” and what happens to the Social Security laws between now and when you retire.

- **Before-tax premiums limit your ability to make mid-year changes**

You cannot make changes during the year to any benefits that you pay on a before-tax basis, unless you have a change in family or employment status, and you request a change within 30 days of the status change event. (HSA contributions are an exception to this rule and can be changed monthly.) See Making Mid-Year Changes section under Other Plan Information for more information.