

Attention Employers: IRS says Update Your Cafeteria Plan Documents by 01-01-2010

On August 6, 2007 the IRS issued REG-142695-05 making sweeping changes to IRS Code Section 125 - Cafeteria Plans. These changes affect the way employers administer Premium Only Plans, Health Flexible Spending Accounts and Dependent Care Assistance Flexible Spending Accounts. Core Documents, at www.CoreDocuments.com, can restate and update existing Plan Documents starting as low as \$99 plus \$15 S&H for a Premium Only Plan.

Bradenton, FL (PRWeb) November 21, 2010 -- Employers nationwide are rushing to meet the IRS deadline to update their Section 125 Cafeteria Plan Documents before January 1, 2010 due to sweeping new regulations in IRS Regulation Section 1.125 - 26 CFR, Part 1, Employee Benefits - Cafeteria Plans.

Core Documents, Inc., the nation's leading provider of affordable Section 125 Cafeteria Plan Documents for small employers, announces they have completely amended and restated their Plan Documents to comply with the new IRS 26 CFR Part 1 Cafeteria Plan Regulations that take effect January 1, 2010.

The new proposed Section 125 regulations replace numerous older and proposed temporary rules. Now, more than ever before, the Code reads: "A Plan that _____, is not a Cafeteria Plan". You can fill in the blank with anything from "allow owners to participate" to "require mandatory participation for only one benefit".

These changes are significant for Employers nationwide because in many cases the IRS can simply disallow their Plan if it's not being administered correctly. If a Plan is disallowed back to the original effective date the Employer becomes responsible for all unpaid back taxes plus interest and penalties.

Examples of New Proposed Reg. Section 1.125 changes include:

- The list of Qualified Nontaxable Benefits and Permitted Taxable Benefits has been updated.
- A Cafeteria Plan must offer Employees the opportunity to elect among permitted taxable benefits and qualified nontaxable benefits.
- Term Life insurance is now only deductible up to \$50,000 for the employee only, spouse and children have been eliminated.
- Owners participating in the Cafeteria Plan now cause the Plan to be disallowed. Previously the owner participating did not cause the Plan to be disallowed.
- The definition of Employee changed. Special provisions exist for C Corporation owners on payroll.
- Dependents can no longer participate in a Cafeteria Plan as the named insured. Employee has to be on the policy as the named insured to qualify.
- Financial hardship (a prior loophole) is no longer a reason to change an irrevocable deduction midyear.
- Benefits have to be completely described adding new administration forms.
- Maximum Employee Elective Contributions have to be documented in the Plan along with the specific description of benefits.

These are just a few of the updates you can expect in an amended and restated Plan Document form Core Documents.

New or updated Plan Documents from Core Documents are received in approximately 3 business days in a one inch ring-bound notebook customized to each client's specific needs. Employers receive a new Resolution to Adopt or Amend, an updated or new Plan Document required by the IRS before pretax deductions are made, a

new Summary Plan Description (SPD) required by the Department of Labor to be distributed to each employee, election forms, claim forms, change forms, and a complete administrative guide including blank non-discrimination testing forms.

After the purchase, Core Documents is available for consulting, questions, service, etc.

You can find Core Documents at www.CoreDocuments.com or call them toll free at 1-888-755-3373. They have been providing affordable, high-quality IRS and DOL compliant Cafeteria and HRA Plan Documents to employers nationwide since 1997.

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