Michigan School Employer





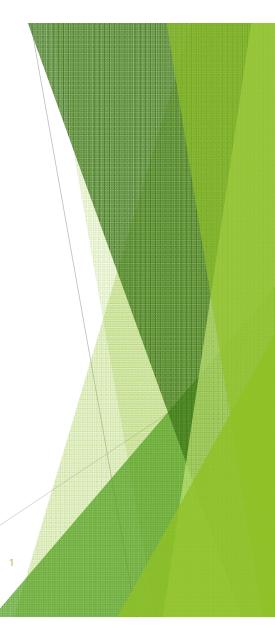
THE IRS-APPROVED

ACCOUNTABLE REIMBURSEMENT PLAN

For

Michigan School Business Officials

AN ACCOUNTABLE REIMBURSEMENT PLAN IS AN OPTION OUTSOURCE THE ADMINISTRATION



News Flash! Employees Can No Longer Deduct Business Related Expenses on Their Year-End Tax Return!!!

- ► EFFECTIVE JANUARY 1ST, 2018 THE NEW TAX PLAN ELIMINATES UNREIMBURSED EMPLOYEE BUSINESSS EXPENSES FOR THEIR TAXES!
- ► THESE EMPLOYEES SPEND HUNDREDS TO THOUSANDS OF DOLLARS ON THEIR JOB TO BENEFIT THEIR EMPLOYER AND NOW CANNOT EVEN DEDUCT THESE EXPENSES ON THEIR YEAR-END TAX RETURN!
- CELL PHONE
- ▶ UNIFORMS, TOOLS AND SUPPLIES
- ASSOCIATION FEES/CERTIFICATIONS
- HOME INTERNET AND MILEAGE

<u>THE GREAT NEWS!</u>

THE NEW TAX LAW STILL ALLOWS EMPLOYER ACCOUNTABLE REIMBURSEMENT PLANS!



Accountable Reimbursement Plans for Business

- ► Today many employers reimburse their employees who pay for out-of-pocket business expenses to perform their job and to benefit their employer under the rules of Accountable Reimbursement Plans.
- ► These reimbursements are tax-free to the employee and save the employer from having to pay MEDICARE TAXES AND WORKER'S COMPENSATION INSURANCE on those reimbursement payments.
- ► These employers have determined that it is a win-win benefit for their company and their employees to reimburse their employees under an Accountable Reimbursement Plan as part of their total employee compensation plan.
- Business Expense Reimbursements for:
 - Cell Phone and Business Mileage
 - Seminars and Business Travel
 - Continuing Education
 - Classroom Supplies
 - Home Internet
 - Association Fees



Rules of An Accountable Plan

- 1. Business Connection the expense must be related to the employer's business
- It must do one or a combination of these:
 - Benefit the Employer
 - Benefit the Employee
 - Benefit the clients of the employer
- 2. Substantiate the Expense Proper Business Receipts
- 3. Return of Excess Any money advanced must follow the rules of advance payments



Introducing Your Accountable Plan

- Same Compensation Plan you currently have in place.
- No additional funds needed!
- A portion of gross wages is designated for business expenses as seen in the Tax Code and supported by an IRS Revenue Ruling. Same Rules for all business, Public or Private.
- Section 61 of the Internal Revenue Code defines gross income as well as income for whatever source derived.
 Section 62(a) defines adjusted gross income as gross income minus certain deductions. Section 62(a)(2)(a) provides that, for purposes of determining adjusted gross income, an employee may deduct certain business expenses paid by the employee of the employer under reimbursement or other expense allowance arrangement known as an accountable plan.



However, Many Employers Do Not Offer Accountable Reimbursement Plans

- ► Even though there are significant tax savings for employers and their employees of having an Accountable Reimbursement Plan in place, many employers find that offering such a plan does not work for their business.
- The tax savings of the plan do not justify the cost or the workload to the business.
- Analyzing Cell Phone, Home Internet and Mileage Logs is cumbersome.
- Methods for employees to turn in receipts on a timely basis is difficult.
- Keeping records for 5 years is burdensome.
- Writing and processing reimbursement payments is expensive.



The TradeCheck Plan An <u>Accountable Reimbursement Plan</u> for Your Company at NO-COST AND NO-WORK!

- You get 100% of all the tax and workers' compensation savings.
- Done from your current compensation plan, not in addition too.
- Your employees get the payroll tax savings they deserve.
- Increases employee take-home pay.
- You outsource the complete administration to the experts.
- No work for your company's administration staff.
- No-cost to you. The employees pay the fee from their increased takehome pay.
- Supported by an IRS Revenue Ruling AND the IRS-approved TradeCheck Plan.



How it Works

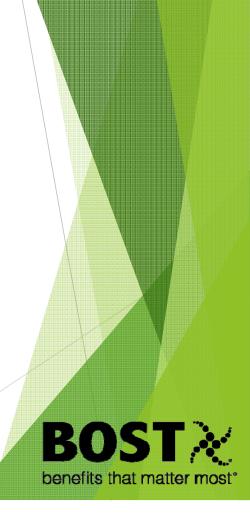
- ➤ Simply, once the annual amount of employee's gross compensation is determined for their business expenses, it is put aside pretax, divided equally by their number of pay periods for the year.
- ▶ After that, the rules of an Accountable Reimbursement Plan are in place.
- ► CP+PLUS will then do the following:
- Enrollment of all employees either in on-site meetings or on-line
- Communicate with employees on how to submit their expense receipts
- Approve all expenses
- Store all business expenses in accordance with tax laws
- Update employees during the Plan Year of their account balance



Paycheck Comparison - Michigan School Employer

24 Pay Periods Today TradeCheck Plan

SEC 61 Gross pay	\$2,500.00	\$2,500.00
Health Ins./Pension	\$ 75.00	\$ 75.00
Business Expenses	\$ 0.00	\$ 102.50
SEC 62 Adjusted Gross Pay	\$2,425.00	\$ 2,322.50
Payroll Taxes, FT,ST,FICA,Med	\$ 693.00	\$ 655.00
Take-Home Pay	\$1,732.00	\$ 1,667.50
Tax Free Reimbursement	\$ 0.00	\$ 102.50
Admin fee	\$ 0.00	\$ 3.29
New Take-Home Pay	\$1,732.00	\$ 1,766.71
Increase		\$34.71 pp/\$833.04 yr °



Employer Savings

- ► Employer saves the matching MEDICARE (7.65%) and Workers' Compensation Insurance on all money that is reimbursed under an Accountable Reimbursement Plan.
- ► Example: Employee expenses of \$2,300 per year.
- \$2,300 x 8.70% MED/WC* = \$200.10 Employer Savings
- ▶ 100 Employees x \$200.10 = \$20,010 Annual Employer Savings
- * Based on 7.65% for FICA/MEDICARE AND 1.05% FOR WORKERS' COMP.
- *SAVINGS COULD BE FAR GREATER IN HIGHER WORKERS' COMP JOB DESCRIPTIONS.



TRADECHECK PLAN BY CP+PLUS

- CP+PLUS, Services, Inc. is the Plan administrator
- We are the ONLY group to receive a Private Letter Ruling from the IRS outlining our plan and how it is the only IRS compliant plan.
- The IRS came out with a Revenue Ruling (RR-2012-25) on Sept 14, 2012. Now this is the Law of the Land.



Tax Experts Endorse Accountable Reimbursement Plans

- ► AICPA -.... "A properly structured plan will be respected. Accountable Plans can offer significant operating savings and a happier workforce."
- ► PAYCHEX ACCOUNTING -.... "Using Accountable Plans Benefits Both Employers and Employees."
- ▶ PRICE WATERHOUSE COOPERS (PWC) -..... "In this arrangement, an employer prospectively altered its compensation structure with its employees to include an allowable reimbursement arrangement. The new guidance may help employers craft reimbursement arrangements intended to meet the accountable plan requirements under Section 62(c)."



For Additional Information

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