

## ***SIMPLE CAFETERIA PLANS to begin 1/1/2011***

New code was added for Cafeteria 125 plans by the PPACA (Patient Protection and Affordable Care Act). This new code is effective for years beginning after 12/31/2010. Some of the key components of this legislation are as follows:

- SIMPLE CAFETERIA PLANS are available for years beginning 1/1/2011
- Safe harbor is available to eligible small employers (100 or fewer employees during either of two preceding years)
- Special rules apply for new and growing employers allowing for continued benefits until they employ an average of 200 employees
- These employers are treated as “meeting nondiscrimination rules for cafeteria plans”
- Must meet specified contribution, eligibility, participation requirements
- Contributions must be made to provide “qualified benefits to qualified employees”
- Contributions generally to be:
  - A. A uniform percentage, not less than 2%, of employees compensation
  - OR
  - B. An amount that equals or exceeds the lesser of (a) 6% of the employees compensation for the plan year, or (b) twice the employee’s salary reduction contributions
- Simple plans remain subject to general rules, e.g. self employed individuals, partners in a partnership, more than 2% owners in an S-Corp may not participate
- EMPLOYERS LIKELY TO BE INTERESTED:

**ELIGIBLE EMPLOYERS THAT WOULD OTHERWISE HAVE DIFFICULTY PASSING ONE OR**

**MORE OF THE CODE'S NON-DISCRIMINATION TESTS (e.g. PROFESSIONAL FIRM, C-CORP, LESS THAN 100 EMPLOYEES, SEVERAL HIGH COMP INDIVIDUALS)**

- **This is a brief summary; additional rules apply, others are to be clarified**