

**State of New Jersey — Division of Pensions & Benefits**  
**New Jersey State Employees Tax Savings Program (Tax\$ave)**

# PREMIUM OPTION PLAN

## Take a Bite out of Your Tax Liability

### What is the Premium Option Plan?

The Premium Option Plan (POP) is a benefit of Tax\$ave available to State employees participating in the State Health Benefits Program (SHBP). POP allows you to save money by paying any medical contributions and dental premiums you may have for your SHBP coverage with before-tax dollars. You will not have to pay federal income taxes, Medicare, or Social Security taxes on money earned which is used to pay contributions or premiums. Through the POP, you pay less in taxes and in turn increase your take-home pay.

### How Do I Enroll?

Enrollment into the Premium Option Plan (POP) is automatic. The POP runs on a calendar year basis.

### Advantages and Disadvantages of the POP

The major advantage of the POP is that it increases your take-home pay by reducing your federal taxes — income, Medicare, and Social Security. The example at the right shows the additional take-home pay an individual could have when participating in the POP as opposed to not participating in the POP.

Enrollment in the POP is simple. If you wish to participate in the POP, do nothing and you will automatically be enrolled and pay less in taxes.

One of the disadvantages is that it may reduce your Social Security wage base which may slightly affect your Social Security payments when you eventually collect them.

If you do not wish to take advantage of this money saving plan in 2019, you must decline enrollment by completing a Declination of Premium Option Plan form. Even if you declined enrollment for 2018, you must complete another form declining enrollment for 2019. The form is available from your benefits administrator, and must be returned to your benefits administrator before October 31, 2018, to decline enrollment in 2019.

Before you decline and pay more in taxes, read the article in the Tax\$ave newsletter on Social Security. Declining POP may not be a wise financial decision for you.

#### Individual participating in POP

Net Biweekly Salary*	\$2,000.00
Less Medical/Rx Contribution**	109.88
Less Dental Premium**	25.85
Taxable Salary	<u>\$1,864.27</u>
Less Estimated Taxes:	
Federal	155.77
FICA	142.62
Salary after Taxes	<u>\$1,565.88</u>
Spendable Income with POP	<u>\$1,565.88</u>

#### Individual NOT participating in POP

Net Biweekly Salary*	\$2,000.00
Taxable Salary	<u>\$2,000.00</u>
Less Estimated Taxes:	
Federal	172.06
FICA	153.00
Salary after Taxes	<u>\$1,674.94</u>
Less Medical/Rx Contribution**	109.88
Less Dental Premium**	25.85
Spendable Income without POP	<u>\$1,539.21</u>
Spendable Income with POP	<u>\$1,565.88</u>
Spendable Income without POP	<u>\$1,539.21</u>
<b>Additional Spendable Biweekly Income with POP</b>	<b>\$26.67</b>
<b>Annual Savings with POP***</b>	<b>\$693.42</b>

\* Salary after pension (414h) deduction of 7.5%.

\*\* Medical/Rx Contribution based on NJ DIRECT15 2018 Plan Year rate for Family coverage — State Biweekly contribution rate from December 28, 2017, through December 27, 2018. Dental Premium based on Dental Expense Plan 2018 Plan Year rate for Family coverage (26 pay periods).

\*\*\* Savings based on a married person with zero allowances at the 12% federal tax bracket. FICA calculated at 7.65% of taxable salary. At higher tax brackets, the annual savings would be greater.