

EMPLOYER FICA SAVINGS ON HSA PLANS

When employees fund their HSA plans through payroll deduction, total taxable payroll is reduced. Employers see a savings of 7.65% on payroll tax, or FICA, for every dollar contribution by an employee. Overall savings is related to the rate of participation — the higher the participation, the greater the savings. Some employers may be able to cover the cost of the plan fee through high employee enrollment. In addition to FICA savings, employers also save on federal income tax and federal and state unemployment tax. Below are examples of employer FICA savings based on two levels of participation.

In addition to tax savings, employers who sponsor an HSA plan will likely see a reduction in their premium costs. The IRS requires that a Health Savings Account be linked to a qualified high-deductible health plan. The higher deductible typically means a lower premium rate. Additionally, when employees control their health care dollars, they generally become more conscientious consumers and spend more carefully. Over time, employers may also see a reduction in utilization costs.

HSA: SAMPLE FICA SAVINGS – 20% EMPLOYEE PARTICIPATION	
Average Individual Contribution	\$2,400
20% participation among 100 employees	20 Employees
Total Employee Contribution	\$48,000
7.65% FICA Savings per Dollar Contributed	\$3,672
Annual Plan Fees	\$900
Net Expense Savings for Employer	\$2,772

HSA: SAMPLE FICA SAVINGS – 100 % EMPLOYEE PARTICIPATION	
Average Individual Contribution	\$2,400
100% Participation among 100 Employee	100 Employees
Total Employee Contribution	\$240,000
7.65% FICA Savings	\$18,360
Annual Plan Fees	\$3,600
Net Expense Savings for Employer	\$14,760

Copyright © 2008, Stanley, Hunt, DuPree & Rhine, Inc. All Rights Reserved.

Charts are provided for illustrative purposes only. Data is hypothetical and is not intended to represent a specific benefit plans or actual expense savings for all employers.

The information contained in this website is intended to provide general information on matters of interest in the area of employee benefit plans and is provided with the understanding that our company is not engaged in rendering legal or tax advice. Legal or tax questions should always be referred to a qualified tax advisor such as an attorney or CPA. Insurance products are offered through BB&T Insurance Services, Inc.