

**Figure 23-1**

**COMPARISON OF TAX-QUALIFIED  
FRINGE BENEFIT PLANS**

<b>PLAN ELEMENTS</b>	<b>GROUP TERM LIFE INSURANCE IRC §79</b>	<b>DEPENDENT CARE ASSISTANCE IRC §129</b>	<b>EDUCATIONAL ASSISTANCE IRC §127</b>	<b>HEALTH INSURANCE IRC §§105 &amp; 106</b>	<b>HEALTH BENEFITS SELF-INSURED IRC §105(h)</b>
1. Excludable Employees:					
(a) Service Less Than —	3 Years	1 Year	None	Any	3 Years
(b) Union Coverage	Yes	Yes	Yes	Yes	Yes
(c) Part-Time or Seasonal	Yes	No	No	Yes	Yes
	(20 hours per week/ five months per year)				(25-35 hours per week/ 9 months per year)
(d) Under Age —	None	21 Years	None	Any	25 Years
2. Discrimination Testing:				N/A	
	(i) 70% of all employees; or	Average benefits to non-highly compensated employees are at least 55% of highly compensated employee benefits and no more than 25% of total benefits go to 5% owners, their spouses and dependents.	No more than 5% of the total benefits paid to 5% owners, their spouse and dependents.		(i) 70% or more of all employees receive benefits; or
	(ii) 85% of participants are not <u>key employees</u> .  plus special rules for employees with less than 10 employees.				(ii) 80% of <u>eligible employees receive benefits if 70% of all employees are eligible</u> .

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<b>PLAN ELEMENTS</b>	<b>GROUP TERM LIFE INSURANCE IRC §79</b>	<b>DEPENDENT CARE ASSISTANCE IRC §129</b>	<b>EDUCATIONAL ASSISTANCE IRC §127</b>	<b>HEALTH INSURANCE IRC §§105 &amp; 106</b>	<b>HEALTH BENEFITS SELF-INSURED IRC §105(h)</b>
<p>3. Penalty for Discrimination as to:</p> <p>(a) Benefits</p> <p>(b) Coverage</p>	<p>Key employees receive no exclusion; key employees include in income the higher of actual premium or table amount in regulations.</p> <p>Key employees receive no exclusion; key employees include in income the higher of actual premium or table amount in regulations.</p>	<p>Highly compensated employee takes entire benefit into income.</p>	<p>Highly compensated employee takes benefits into income.</p>	<p>N/A</p> <p>N/A</p>	<p>Highly compensated employees take into income the excess reimbursements they receive over the non-highly compensated employees benefits.</p> <p>Highly compensated employees take into income a portion of their reimbursement multiplied by a ratio in which all highly compensated employee reimbursements bears to total benefits paid under the plan.</p>
<p>4. Maximum Tax Free Benefit if Plan Non-Discriminatory:</p>	<p>\$50,000.00 term life insurance policy</p>	<p>\$5,000.00</p>	<p>\$5,250.00</p>	<p>N/A</p>	<p>N/A</p>