

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 248  
**Version:** As introduced

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**Authors:** Loeffler and others

**Subject:** Repeal of law relating to Section 125 plans

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### Overview

This bill repeals a 2008 law intended to encourage employers that have 11 or more full-time-equivalent employees and that do not provide group health coverage to their employees to at least offer employees a Section 125 plan.

"Section 125" refers to a section of the Internal Revenue Code, which (among other things) permits employees to purchase individual health coverage with voluntary pre-tax employee contributions from wages or salary into an employer-sponsored plan called a Section 125 plan. Each employee who participates tells the employer how much of the employee's pay to put into the section 125 plan and where to send the employee's pretax contribution to pay for whatever individual health coverage the employee has selected. The employer sponsors the Section 125 plan as a flow-through payment mechanism only, and does not have to contribute to the plan and does not have any involvement in the health coverage selected by the individual employees. The employee benefits by avoiding income and FICA taxes on the income, on the same basis as if the employer sponsored a group health insurance plan.

The 2008 law this bill would repeal does not require an employer to establish a Section 125 plan, but instead requires the employer to either do that, or to fill out and file with the Minnesota Department of Commerce a form saying that the employer has received education and advice on the advantages of having a Section 125 plan and has decided not to do so.

Subdivision 3 of the law requires the Department of Employment and Economic Development to provide grants of \$350 to small employers who offer a Section 125 plan that meets certain requirements.

- 1 Repealer; employer mandatory consideration of offering Section 125 plan.** Repeals the 2008 law described in the overview, effective the day following final enactment.