

**FISCAL NOTE
PRIVATE COST**

- I. Department Title: 1—Office of Administration
Division Title: 10—Commissioner’s Office
Chapter Title: 15—Cafeteria Plan**

Rule Number and Title:	1 CSR 10-15.010 Cafeteria Plan
Type of Rulemaking:	Amendment

II. SUMMARY OF FISCAL IMPACT

Estimate of the number of entities by class which would likely be affected by the adoption of the rule:	Classification by types of the entities which would likely be affected:	Estimate in the aggregate as to the cost of compliance with the rule by the affected entities:
Approximately 6,400 state employees who have had the opportunity utilize the cafeteria plan to pay premiums for voluntary products	Individual state employees	Approximately \$976,000 per year

III. WORKSHEET

Type of Withholding	Number of Affected Employees	Average Annual Amount No Longer Eligible For CP	Total Dollars Subject to Withholding	Withholding Percentage	Total Additional Withholding
Social Security	6400	\$ 645	\$4,128,457	6.20%	\$ 255,964
Medicare	6400	\$ 645	\$4,128,457	1.45%	\$ 59,863
Federal Income	6400	\$ 645	\$4,128,457	10.00%	\$ 412,846
State Income	6400	\$ 645	\$4,128,457	6.00%	\$ 247,707
Total					\$ 976,380

*All numbers are approximate, based on past usage of the cafeteria plan

IV. ASSUMPTIONS

The cafeteria plan allows employees of the state and other participating state entities to set aside a portion of their salary to be used to pay for certain qualifying medical and dependent care expenses as well as premium payments. Under the current plan regulation, all employees of the state are eligible to participate in the plan and it includes all state sponsored plans and voluntary vendors that qualify for inclusion per section 125 of IRS regulations. Due to changes in federal law and the additional requirements that would be required of the voluntary plans, this amendment is being made to remove voluntary plans from the premium payment portion of the cafeteria plan. Changes are also being made to the eligibility of employees who can participate in certain portions of the cafeteria plan for the same reasons.

The estimated potential costs to state employees would result from the employees not having premiums taken out of their pay checks pre-tax, would result in the employees

paying FICA taxes of 7.65% as well as state and federal taxes on those dollars. The annual estimate for additional FICA taxes is approximately \$316,000; the annual estimate for additional state and federal taxes is approximately \$660,000 resulting in a total cost to state employees of approximately \$976,000.