

**FISCAL NOTE
PUBLIC COST**

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

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

II. SUMMARY OF FISCAL IMPACT

Affected Agency or Political Subdivision	Estimated Cost of Compliance in the Aggregate
All agencies	Approximately \$4,670 cost per year offset by savings of \$5,925 per year for a net savings of \$1,254 per year.

III. WORKSHEET

Source of Impact to All Agencies of State Government	Total Dollars Subject to Withholding	Withholding Percentage	Impact in Dollars
Social Security Employer Contribution	\$77,450	6.20%	\$ 4,801
Medicare Employer Contribution	\$77,450	1.45%	\$ 1,123
Reduction in State Income Tax Collected	\$77,450	6.00%	\$ (4,670)
Net Impact			\$ 1,254

*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 utilizing flexible spending accounts. The IRS sets the limits on the amount that can be contributed into the accounts, which is updated regularly. Under the current plan regulation, the specific dollar amount of the maximum contribution is identified. In order to keep up with the changes in the maximum allowable contribution, this amendment is being made to change the plan regulation to set the maximum contribution to the same amount that is advertised in the annual open enrollment materials that is supplied to all employees of the state

It is estimated that the potential decrease in costs to the State of Missouri, as the employer, would result from employees having larger deductions taken out of their pay checks pre-tax, and would result in the employer paying less FICA taxes of 7.65% on those dollars. The annual estimate for the reduction in taxes is approximately \$5,925.

This amount would, however, be offset in part by the amount of reduced state taxes collected from affected employees of approximately \$4,670.

There would be fiscal impacts in future years as well. The IRS typically makes cost of living increases on an annual basis that may increase the allowable maximum contribution. The amounts of the impacts are dependent on the rate of change in the maximum contribution amount limits set by the IRS.