

BASE[®] HRA

SECTION 105 HRA

Health Reimbursement Arrangement (HRA)

Because of the strict requirements for HRAs, many tax professionals and their clients use an HRA administered by BASE[®]. BASE[®] specializes in Health Reimbursement Arrangements and makes sure that clients meet the requirements of the IRS, the Department of Labor, and ERISA. Without this plan in place, business owners can deduct only a portion of health care expenses—often less than half of the typical family's expenditures.

BASE[®] creates the documentation necessary for qualified small business owners to deduct up to 100% of their family health insurance premiums and non-reimbursed medical expenses as a business expense. More often than not, small businesses only take the standard personal deduction for health insurance costs when filing taxes. The typical BASE[®] HRA client saves an average of over \$5,000 in taxes annually.

The BASE[®] HRA gives businesses a simple, effective solution to help deal with the cost of health care.

Who is an HRA for?

The BASE[®] HRA is available to small business owners that are classified as either sole proprietors, partnerships, or C or S Corporations. This plan is especially applicable to small business owners that can legitimately hire their spouse, yet it can also be applied in other situations.

How does it work?

BASE[®] provides step-by-step instructions on how to successfully make the most of the BASE[®] HRA, so small employers can legally deduct every dollar of out-of-pocket medical expenses against their taxable income. This in turn offsets self-employment taxes, and BASE[®] provides the legal documentation necessary to utilize this deduction. Some of the important features of the BASE[®] HRA, include:

- Plan set up and documentation
- Ability to track medical expenses electronically with easy-to-use online tool
- Provide year-end documentation for tax professional to utilize deduction

BASE[®] HRA with 1 Employee Participant

Health Insurance Premiums can be reimbursed, however, premium reimbursement will make your qualified employee ineligible for a premium tax credit. Contact BASE[®] for a detailed analysis on whether the premium tax credit or the HRA deduction is more beneficial for your premiums. These items are deductible under the HRA:

- Supplemental Premiums that qualify as indemnity policies
- Dental Premiums, Vision Premiums, Long Term Care Insurance Premiums, and Medicare Premiums
- All other out-of-pocket or non-insured medical expenses defined under IRS Code Section 213(d)
- Plan must establish a benefit limit (plan maximum)

What are the benefits?

- Reduce the financial impact of health care expenses
- Pay for eligible out-of-pocket health care expenses while paying no taxes on reimbursements

HRA Comparison

Below, you can see how much more can be saved with a BASE[®] HRA in place.

Annual Deduction WITHOUT BASE [®] HRA			Annual Deduction WITH BASE [®] HRA		
Annual health insurance premiums	\$9,000.00	Total tax savings: \$2,430.00	Annual health insurance premiums	\$9,000.00	Total tax savings: \$6,450.75
Annual out-of-pocket expenses*	\$0.00		Annual out-of-pocket expenses	\$6,250.00	
Federal and state tax rate** 22% + 5%	x27%		Federal, state, & self-employment tax rate** 22% + 5% + 15.3%	x42.3%	

*Expenses only qualify for deduction if they exceed 10% of the adjusted gross income. **Tax rates based upon current averages.

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