Notice: These fax sheets are for use after attending the workshop, “Tax Strategies for Business Professionals” only. Neither the publisher nor the speakers are rendering tax, legal, accounting, or other professional advice. Tax strategies and techniques depend on an individual’s facts and circumstances; accordingly, the information presented in the workshop must be correlated with the individual’s tax situation to establish applicability. Moreover, because of the complexity of the tax laws, the constant changes resulting from new developments, and the necessity of determining appropriateness to a particular taxpayer, it is important that professional advice be sought before implementing the tax ideas presented in the workshop.

SELF INSURED MEDICAL & DENTAL CHECKLIST

- Reimbursement date & amount
- Disability reimbursement
- Coordination with other insurance
- Termination & amendment
- Communication

NOTE: The following form is for illustration only. Always have your Lawyer tailor the appropriate form for your situation.

New IRS Policy on Audits: IRS is taking the position in audits that the total compensation your family may receive, which includes wages and fringe benefits and potential payout under the self insured medical plan, must be reasonable in amount. Without some defining case, it is unclear whether IRS will prevail on this position. Accordingly, for safety purposes, you should meet with your accountant about coordinating a limit on the self insured medical plan so that its potential payout plus any other wages and benefits will be deemed reasonable.

S Corporations: If you are operating as an S Corporation, the benefits under this plan are limited, for you and your family, to routine physicals and laboratory testing for the owners and managers. See your accountant about this.

Existing HSA: In the event a Health Savings Plan (HSA) is in effect, this self insured plan will NOT cover:

- Any expenses paid by the HSA or insurance plan, and
- Will have the same deductible as the high deductible medical plan as required by the HSA. Thus, the Self Insured Medical Plan will not cover the deductibles contained in the health insurance plan.
Self Insured Medical Plan

____________________________ ("Employer") hereby establishes this Health and Accident Plan, herein after referred to as the "Plan", for the exclusive benefit of its employees.

1. Reimbursement for Medical Expenses:

(a) Effective ___________ (date), ______________ employer (or if a corporation) corporation __________________ (name of incorporated) will reimburse at least quarterly to any employee of the employer who is employed by the employer on a (full or part-time basis) all expenses incurred by such employee for medical care (as defined by Section 213(d) of the Internal Revenue Service Code) of such employee, his/her spouse, and his/her dependents (as defined in Section 152 of the Internal Revenue Code). Expenses for over the counter medication is/is not (choose one) allowable as part of this self insured medical plan.

(b) All full time employees should be covered. A full time employee is one who ordinarily works 25 hours a week or more.

(c) If the employee meets any of the following, he/she will not be covered absent the employers choosing to do so as noted in sub-part (d) below.

1) Ordinarily work less than 25 hours per week.
2) Is under age 25.
3) Ordinarily works less than 7 months.
4) Works for the employer for less than 3 years.

(d) The employer may, at its option, cover any or all of the normally non-covered employees noted in sub-part (c) above.

(1) Limitations on coverage under this plan (optional). Not withstanding anything noted in 1(a)-1(i), this plan will cover the following expenses:

(e) Expenses for Medical Care, as so defined in Section 213 (d), include all amounts paid for hospital bills, doctor & dental bills, drugs and premiums on accident & health insurance including hospitalization, surgery, routine physical or chiropractic treatments, and over the counter medications designed to treat a diagnosed medical condition. Dependents, as so defined in Section 152, include any member of such employee’s family, over one half of whose support is furnished by such employee and the spouse of the employee.

(f) The employer may, in its discretion, pay any or all of the above defined expenses directly in lieu of making reimbursement. In that event, the employer shall be relieved of all further responsibility with respect to that particular medical expense.
(g) This reimbursements to, or for the benefit or behalf of any one employee, including
his/her spouse and dependents, shall be limited to $_____________ per person.
NOTE: Based on IRS audit policy, your total compensation for wages plus
payments under this plan need to be reasonable for the hours worked. Thus, you
should put a dollar limit on the benefits. Have your accountant work with you on
this.

(h) Any person hereafter becoming an employee of employer, employed on a full-time
basis, shall be eligible for the benefits under the Plan, unless they are disqualified
under one of the criteria mentioned in sub-part (c) above.

(i) Any employee applying for reimbursement under this Plan shall submit to employer,
at least quarterly, all hospitalization, doctor, dental, or other medical bills, including
premium notices for accident and health insurance; for verification by the employer
prior to payment. A failure to comply herewith may, at the discretion of employer,
terminate such employee’s right to reimbursement.

2. **Continuation of Wages During Disability:** (OPTIONAL)

   Effective _________________ (date), it a covered employee who is employed by
   employer and covered by the Plan should become permanently and totally disabled and
   retire on account of ______ % of disability, the employer will continue the wages of
   such employee for a period of (month or years) commencing with the month following
   the month in which such permanent and total disability first occurs. No disability
   payments shall be made after the death of the employee unless so noted in their
   employment contract.

   The term “Permanent and Total Disability” shall mean the inability to engage in any
   substantial gainful activity by reason of any medical determinable physical or mental
   impairment, which is expected to continue for at least 12 months. The employer may
   request appropriate documentation to substantiate such permanent and total disability.
   Moreover, such payments shall cease upon the cessation of the disability or the return to
   work with any employer on “full time” status for a period of at least 2 consecutive
   months.

3. **Other Insurance:**

   Reimbursement under this Plan shall be made by the employer only in the event and to
   the extent that such reimbursement or payment is not provided for under any insurance
   policy or policies, whether owned by the employer or the employee or under any other
   health and accident insurance, was a Continuation Plan or Governmental Benefit
   program. In the event that there is such a policy or plan in effect, providing for
   reimbursement or payment in whole or in part, then to the extent of the coverage under
   such policy or plan, the employer shall be relieved of any responsibility hereunder.

4. **Termination and Amendment:**

   The employer reserves the right to terminate and/or amend this Plan at any time during
   any year, provided that such termination or amendment is taken by formal director action.
   The termination or amendment of the Plan shall not affect any right of a participant
hereunder to claim reimbursement for medical expenses under the provisions of Section (1) arising prior to such termination or amendment. All employees will be given notice of any termination or amendment no later than sixty (60) days after the effective date of the termination or amendment.

5. **Communication:**

A copy of this Plan shall be given to all present and future employees of the Employer who are employed on a full-time basis. If an employee has any questions, or needs any additional information regarding this Plan, he/she should contact personnel.

6. **Internal Revenue Code Exclusions:**

It is the intention of the Employer that all such medical benefits payable under Section (1) of this Plan shall be eligible for exclusion from the gross income of the employees covered by this Plan, as provided in Sections 105 and 106 of the Internal Revenue Code.

__________________________
Employer                        Date

__________________________
Employee                        Date

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