

January 5, 2009

RE: **HF 2539 Dependent Insurance Coverage Pretax Considerations**

Dear Group Administrator:

In July 2008, the State of Iowa signed into law **HF 2539** legislation, which allows young adults to remain on their parents' health and dental insurance coverage for as long as they are unmarried and they maintain full-time status as a student in an accredited institution of post-secondary education. If the adult child is not a full-time college student, coverage can be continued until the adult child reaches age 25, remains single and is a resident of the state of Iowa.

How does this affect your Section 125 Plan?

- This is a state law and does not impact IRS regulations that allow expenses of a full-time student, who are dependents of Flex participants, to be reimbursed through a Flex Plan until they are 24 years old.
- If health insurance premiums increase due to the addition of an adult dependent child, that increase must be paid for with after tax dollars.

As a service to our valued clients regarding this legislation and how this will affect those employees who have added adult children back on to their group health and dental coverage, it is our advice that you contact your respected tax adviser to obtain advice as to how this may impact you.

Questions you may have regarding the possible tax calculations and requirements, IRS guidelines, pre or post tax contributions and determining the calculations based upon premium or employee contribution should be directed to a qualified tax advisor.

In summary, since the passage of HF 2539 in July 2008 there has been a great deal of confusion and controversy surrounding timing and implementation of this legislation not to mention the unintended consequences of this law. We feel that it was important to bring this information to you, as insurance carriers and flex-administrators have taken a less active role in providing employers information relative to potential taxable events.

As always we are here to serve, so please contact us if you have any questions about this document.

Thank you,



Skip Lowe
President