



A New Benefit for Our Employees

Employee Enrollment Package

Welcome to our New Benefit Program

We are offering a special employee benefit called a "Tool Reimbursement Plan."

A Tool Reimbursement plan is an employee benefit strategy that allows an employer to make payments to its employees for the cost of their business (tool) expenses separately from payroll. (*somewhat like a car allowance*)

Our new benefits program separates the value of your business expenses from your time and service, and allows an above the line payment for those amounts, thus eliminating the taxes and insurances that you may have previously paid on employee business expenses.

Simply put, your employer will start reimbursing you for the cost of your tools and equipment and you will start taking home more money.



The program is simple and provides you with the easiest and safest method of recouping the tax benefits you deserve. The reimbursement payments you will receive from the program are paid to you under an accountable plan as defined in the IRS tax code, therefore, they are non-taxable and not reportable on your income tax return, and will not show up on your W-2. That's great news, because that means you will be taking home more money.

To see how much you can save go to our online calculator

Enrolling in the program will take only a few minutes to get your initial expenses in the system. Your employer will set up an account for you that will track and account for all of your qualifying business expenses and reimbursement payments. You can enter your expenses on the form provided below or if you have a computer and access to the internet, you can ask your employer to issue you access and enter your expenses online. You can login and view or print all of your information at any time, and enter new expenses as you incur them, right from your computer.



Once you are set up with your initial inventory of expenses, you will immediately start seeing the benefits you deserve. You will receive your reimbursement payments along with your regular payroll check. The more tools and equipment purchases you insert into your reimbursement account, the longer you can continue to receive the tax benefits.

How to get Started

Fill out and sign the form below and return it to your employer or supervisor. He will set up your account and you are ready to go. If you want online access, you must have a valid email address, let your supervisor or employer know and he will grant you immediate access to your account.

A Few Questions

Q. Will I still own my tools?

A. Yes, there is no difference whatsoever in ownership or the rights to your tools.

Q. What if I buy new tools?

A. At the end of the month add up the cost of all the new tools you buy on a simple report and turn it in to your supervisor or go online and enter them yourself. The new expenses will be added to your reimbursement account. The more tools you add the longer you will stay on the plan.

Q: Will I save money by participating in the reimbursement plan?

A: Yes, you will see a substantial tax savings. There is no applicable tax on the reimbursement payments, and no filing requirements, so you will save on all payroll related taxes such as FICA & Medicare and Income tax.



Q: Can I deduct or depreciate my expenses for tools and equipment on my income tax return if I am enrolled in the program.

A: No, the payments you receive from this program take the place of depreciation or other deductions. You cannot receive reimbursement payments and take other tax deductions on the same expenses.

Q: Is it better to write off my tools at the end of the year on my tax return or is it more beneficial to participate in the reimbursement plan?

A: In almost all cases, it is better to participate in the expense reimbursement program. There are several reasons:

The 2% limitation rules that apply for deductions on income tax returns do not apply to the reimbursement plan tax savings. This rule might prohibit you from taking any deductions, but even if you qualify, you will still lose the first 2%, therefore not getting 100% of your available benefits as this program offers.

Using this reimbursement program also allows the tax savings on payroll taxes, such as FICA and Medicare, where deducting the same expenses on your tax returns will not provide this benefit.

You receive the tax savings benefits immediately and do not have to wait until the file their tax returns.

Q: Can I claim deductions on other expenses that are not included in the reimbursement plan, such as mortgage interest or medical expenses?

A: The reimbursement program does not change the way you deduct other expenses. We encourage you to consult your accountant or tax preparer for advice on other deductions.

INSTRUCTIONS

Completing the Enrollment Form is an important part of your reimbursement plan. This form establishes the expenses that you have incurred that can be reimbursed to you from your employer and must be as accurate as possible.

After you have completed the inventory list and your items are inserted into the system, it will automatically calculate a reimbursement rate for you. Your rate will be governed by your expenses and in combination with federal and state regulated rating factors.

After you have received your first reimbursement check from the system, your reimbursement rate will not change for the current compliance year. However, it is possible that your rate will change the following or any subsequent year thereafter because of new compliance factors that update the system each year.

When filling in your tools & equipment expense items, you are not required to list every single item and may group items into categories. List your items under the category that best fits. All items listed without a date will be inserted for the current date.

Please list the date of purchase for all items as best as possible. *You will only be eligible for reimbursements of a certain percentage of the expense for items older than the current year.* Do not list items that are older than 7 years old.

If you have been reimbursed for some or all of your items through another plan of this type or from another employer, or have claimed an expense deduction for an item on a previously filed tax return, you must subtract the amount of that reimbursement. You can not be reimbursed for expenses more than one time.

The following items are eligible for reimbursement and should be listed in your software:

- All tools and equipment used for your employees job
- Maintenance, updates, taxes, insurance, interest and other costs related to your employees' tools and equipment.
- The cost of special training certificates or classes they incurred while at your current job
- Special clothing or boots such as steel toed or reinforced for work safety

The following items are NOT eligible for reimbursement:

- Clothing unless specialized materials such as fire retardant or puncture proof
- Automotive vehicles
- Schooling or education that was paid for prior to the employees current job
- Computer equipment unless 100% used for your job, such as diagnostic equipment

If you have any questions, please ask your plan administrator.