

History of IRC Section 105



J.P., Nebraska

"I have used 105 Concepts and have generated over \$30,000 in new revenue to our firm."

J.S., Kansas

"The website is fast and easy. We have contacted 105 Concepts many times, and each time they have been very responsive and helpful."

J.P., Iowa

"105 Concepts has created a unique system that should be used by every agent in the group health market."



- Create benefit plan documents on the fly using the latest in web technology.
- Give your clients access to the Plan Administration Center to manage medical expenses and download documents.
- All of you and your client's information is protected by 128 byte encryption.
- Find out what many accountants and financial professionals are so excited about.

History of IRC Section 105

Section 105 of the Internal Revenue Code is not a new idea but was implemented in 1954. In the 1990's, with the escalating cost of health care and insurance premiums on the rise faster than at any time in history, there was a real need for the sole proprietor to take advantage of creative tax deductions. The question left unanswered was, "Are there any tax deductions for the small businessperson?" Large corporations have been able to enjoy tax deductions for their health insurance premiums. The sole proprietor, small businessperson, farmer or rancher had no means of taking advantage of these deductions. In reality, the law there, but financial professions were unaware of its availability. The key to success was education. A major breakthrough came in August of 1994. The Internal Revenue Service issued a "Technical Advice Memorandum" discussing Code Section 105 in relation to spousal employment. Once the Internal Revenue Service gave Section 105 its approval, tax and financial professionals wanted to know more about how this would impact their clientele. Many large accounting organizations began to endorse Section 105.

How does Section 105 Work?

Section 105 is actually a very simple concept. A sole proprietor can hire anyone he wants and can deduct all their medical expenses, including health insurance premiums and out-of-pocket expenses under a legitimate health reimbursement arrangement (HRA). The problem is, even though a sole-proprietor can deduct these expenses for others, he cannot deduct his own medical expenses. Under Section 105, a self-employed person is not considered an employee. However, if he can legitimately employ his spouse, there's a good chance he may qualify to save thousands in tax dollars.

Imagine; by utilizing Sections 105 and 106, the sole proprietor (farmer, rancher, small businessperson) can legally deduct 100% of his health insurance premiums, plus 100% of his out-of-pocket medical expenses. They could deduct 100% of their dental expenses, eye care expenses, prescription drugs, chiropractic care, orthodontics...the list goes on and on! They can even deduct their deductibles and co-payments. And it's not limited to the sole proprietor. Corporations (C or Sub-Chapter S), LLC's and partnerships can also qualify. If your client is married, files a Schedule C or Schedule F, and can legitimately employ

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Bob Jennings



"I recommend this product to all tax and accounting professionals in the United States."



his spouse, there's a good chance he will qualify for a Section 105 HRA. The key is employing the spouse. So the first step is to create a valid employment agreement. Let's assume that the spouse is the only employee. You can utilize 105 Concepts to establish an HRA plan that provides for 100% reimbursement of the employee's health insurance premiums and out-of-pocket medical expenses. Since the spouse is the employee and her health insurance policy covers her spouse and dependents, your sole-proprietor/client can now receive reimbursement of medical expenses through the HRA too. The tax savings are tremendous.

You use our website to draw up all necessary documents including the employment agreement, summary plan description, etc. You have just assisted your client in establishing an HRA for his business. Your client is now the administrator of the plan. He is responsible for reviewing the claims-there is no third-party adjudication of claims. It is neither necessary nor required by law. Your client's spouse incurs an expense, submits it to her husband for reimbursement, and he reimburses the amount to her. Depending on your clients' computer capabilities, they can even enter their medical claims data into our website for documentation/record keeping purposes or you can provide this service to them. The ease of use of our website is in its simplicity and customer-friendly screens.

What is 105 Concepts?

105 Concepts is a company that has exclusively designed and created a Web based application for the individual HRA (Health Reimbursement Arrangement). We provide all of the forms, documentation, research and updates to ensure compliance with the IRS, DOL and ERISA. We continually update our data so that we are always on the leading edge of regulations. We make your job as easy as possible in regards to implementing and maintaining these plans. You utilize our website to enter your clients' data and print out the relevant plan documents. You can set up these plans for your clients in a minimal amount of time, generating tax savings for your clients and increased fees for your practice.

Recent surveys, conducted by the National Federation of Independent Business (NFIB), have shown that the number one concern of small business is the escalating cost of health care. Not surprising as health care costs have risen 250% over the past ten years. Fifty-two percent of farmers participating in a health care survey during a recent farm exposition said health insurance cost them between \$1,000 and \$3,000 in out-of-pocket costs.

Sixty-nine percent of respondents identified cost of health care as the most serious issue, outdistancing concerns about quality (19.5%) or access to care (11.5%). You can show your clients how they can deduct these expenses through their businesses on a pre-tax basis.

30,000,000 potential sole-proprietors in the United States...What a marketplace! The average tax savings for each is \$2,500. That's a tremendous amount of money left on the table. Many people willingly give to Uncle Sam what is **legally** theirs to keep! But sad to say, only a tiny fraction of sole proprietors are taking advantage of this law. This is the reason our marketing plan is to put 100% control in the hands of the tax and financial professionals. They know the law...they know their clients.

SERVICES AVAILABLE

- Unlimited Benefit Consulting
- On Demand Documentation
- Constantly Updated
- Employer Level Access
- HSA Ready
- HRA Carry Over



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