

Paying for your premiums with pretax dollars

If you are an employee of a state agency or higher education institution enrolling in a PEBB medical plan, your employer may deduct your medical premium from your paycheck before calculating federal withholding, Social Security, and Medicare taxes. This is allowed under the state's salary reduction plan ([WAC 182-12-116](#)).

If you are not an employee of a state agency or higher education institution, ask your employer's personnel, payroll, or benefits office if they offer this benefit.

Why should I pay my monthly medical premiums with pretax dollars?

When you pay your premiums pretax, you take home more money because taxes are calculated *after* the premium is deducted. This reduces your taxable income, which lowers your taxes and saves you money.

Do I need to complete a form to have my medical premiums withheld pretax?

No. If you are a new employee who enrolls in PEBB medical, and your employer offers this benefit, your payroll office will automatically have the premiums deducted before calculating taxes.

If you do not want to pay your medical premiums with pretax earnings, you must complete and submit a [Premium Payment Plan Election/Change Form](#) to opt out of participation in the Premium Payment Plan. Your employer must receive this form **no later than 31 days** after you become eligible for PEBB benefits (generally the first day of employment; check with your personnel, payroll, or benefits office or see [WAC 182-12-114](#) for more information).

Note: If necessary, to comply with federal or state mandate, your employer may also remove you from the Premium Payment Plan, with notice, to prevent excess tax deferral.

Can I change my mind about having my medical premiums withheld pretax?

You may change your participation (enroll or opt out) during the PEBB Program's annual open enrollment (November 1–30), or if you qualify for a special open enrollment. Learn more by reading the [Special open enrollment matrix](#).

When would it benefit me *not* to have a pretax deduction?

If your base salary is less than the \$132,900 Social Security wage base for 2019, the pretax deduction will lower your yearly earnings. Since your Social Security benefit is calculated using an average of your best income-earning years, you could end up receiving a lower lifetime Social Security benefit. Your tax preparer or financial planner can help you determine if it is better for you to take the pretax deduction.