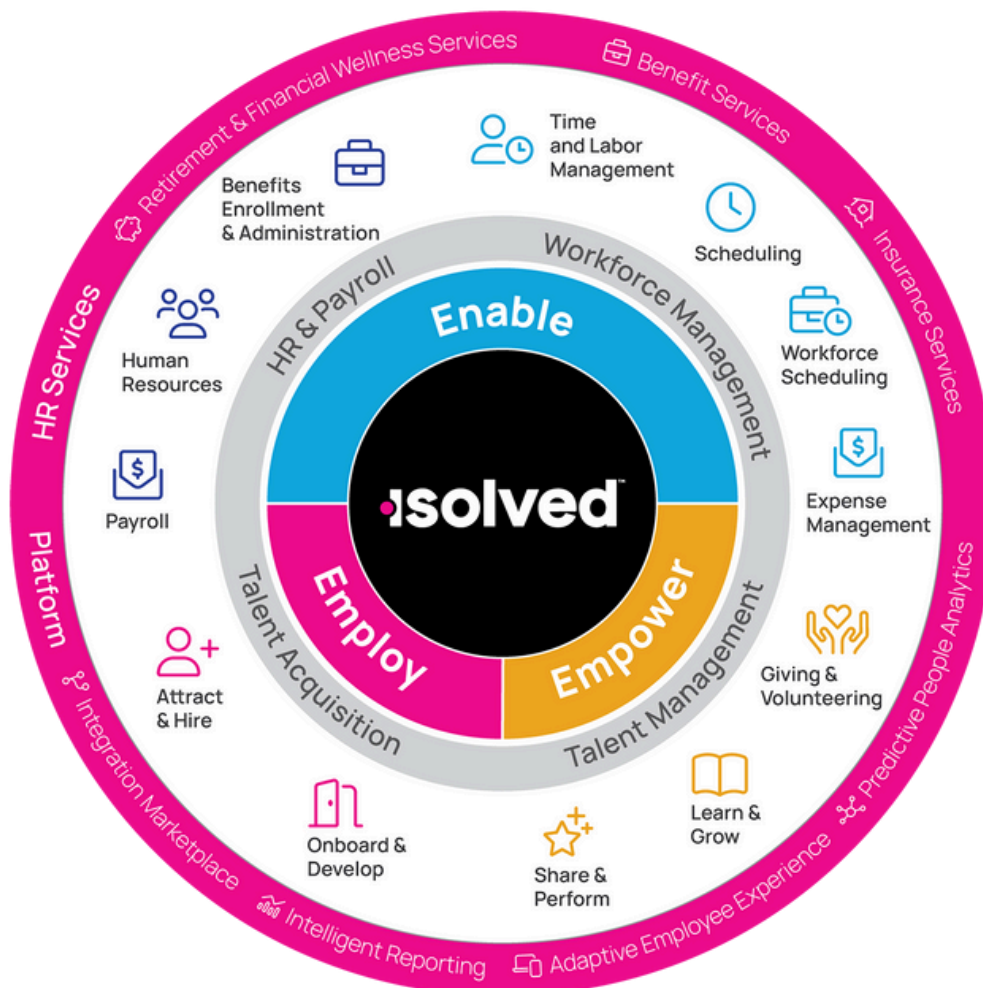




SOLEX HUMAN CAPITAL MANAGEMENT (HCM)

Solex HCM is a full service workforce management consulting firm based in Stoughton, MA. Founded in 1998, Solex couples an industry leading HCM software technology with white glove implementation, dedicated customer support and ongoing training. We offer a deep understanding of the isolved HCM solution and can service all of your HR and payroll compliance and regulatory needs throughout the US.





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Compliance Corner

Pre and Post Tax deductions

Pre-tax deductions occur when your employer withholds money from your paycheck before taxes are applied. While it may seem like you are losing part of your income, these deductions can benefit you by lowering your taxable income. The lower your taxable income, the less you owe in taxes to the IRS. Deduction elections must be during the open enrollment period and changes to pre-tax deductions are permitted only after qualifying events such as marriage, birth or job change. A post-tax deduction is an amount withheld from an employee's paycheck after federal, state, and local taxes have been deducted. Unlike pre-tax deductions, which reduce taxable income by being subtracted from gross pay before taxes are calculated, post-tax deductions do not lower taxable income. Apart from court-ordered wage garnishments, employees can typically choose whether to participate in these deductions.

Mandatory Payroll Taxes

Tax	Pre-Tax When...	Post-Tax When...	Key Considerations
Federal Income Tax	After pre-tax deductions (e.g., 401(k), health insurance)	Always withheld from taxable wages	Amount withheld depends on income, filing status, and W-4 elections. No income cap
State Income Tax	After pre-tax deductions (where the state follows federal rules)	Withheld unless you live in a state with no income tax	Varies by state. Some states don't allow all federal pre-tax deductions.
Local/City Income Tax	After pre-tax deductions (if local law permits)	Always withheld if applicable	Only in certain cities/counties (e.g., NYC, Philadelphia, San Francisco).
Social Security Tax (6.2%)	Never reduced by 401(k) or similar; only reduced by Section 125 benefits	Always withheld on wages up to the annual limit (\$168,600 in 2025)	Not reduced by retirement plan contributions. Employer matches 6.2%.
Medicare Tax (1.45%)	Never reduced by 401(k); only reduced by Section 125 benefits	Withheld on all wages	No income cap. Employer matches 1.45%.
Additional Medicare Tax (0.9%)	N/A	Withheld wages over \$200,000 (single filer)	Employee only (no employer match); kicks in for high earners.
FUTA (Federal Unemployment)	N/A	Paid entirely by employer	Applies to first \$7,000 of wages per employee. Not visible on pay stub.
SUTA (State Unemployment)	N/A	Paid entirely by employer (in most states)	Varies by state and employer experience. Not visible to employees.



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Compliance
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Pre-Tax or Post-Tax Benefits Depending on How They Are Paid

Benefit/Deduction	Pre-Tax When...	Post-Tax When...	Key Considerations
Health Insurance Premiums	Paid through employer under Section 125 (cafeteria) plan	Paid directly to insurer (e.g., COBRA or marketplace plan)	Reduces federal, state, and FICA taxes when pre-tax; doesn't reduce taxes if paid post-tax.
401(k) (Traditional)	Contributed via payroll to a traditional 401(k) plan	N/A	Reduces federal and state taxes, not FICA; taxed in retirement when withdrawing. Employers may match.
401(k) (Roth)	N/A	Contributions are always post-tax	No tax deduction; tax-free withdrawals if qualified.
403(b) (Traditional/Roth)	Same as 401(k): Pre-tax for Traditional; Post-tax for Roth	Same as above	Available to nonprofit and public sector employees.
Dental Insurance	Paid through employer via a pre-tax payroll deduction	Purchased independently or not under Section 125	Usually part of cafeteria plan; coverage may vary.
Vision Insurance	Paid through employer pre-tax	Purchased separately or via post-tax payroll deduction	Typically bundled with dental benefit plans.
Flexible Spending Account (FSA)	Contributions made through employer payroll	N/A	Use-it-or-lose-it rule applies; not available post-tax
Health Savings Account (HSA)	Contributions made through payroll deduction via Section 125	Funded directly by employee within and outside of payroll	Post-tax contributions can be deducted on tax returns. Contributions limited based on IRS annual calculations
Dependent Care FSA	Funded through employer plan	N/A	Subject to \$5,000 household limit; must be used for qualified child/elder care
Group Term Life Insurance	First \$50,000 of coverage is paid via Section 125	Coverage above \$50,000 or outside the plan	Excess coverage creates imputed income
Disability Insurance	Employer pays premiums pre-tax	Employees pay premiums pre-tax or post-tax	If paid pre-tax, benefits are taxable when received; if post-tax, benefits are tax-free.
Commuter Benefits	Within IRS monthly limits (e.g., \$315/month in 2025)	Contributions above IRS limit	Only up to the limit is pre-tax; excess is post-tax
Voluntary Insurance (e.g., critical illness, cancer)	Premiums paid through a Section 125 plan	Employees pay premiums pre-tax or post-tax	If post-tax, benefits are not taxed when paid if pre-tax benefits are taxable
Accident Insurance	Premiums deducted via pre-tax plan	Employees pay premiums pre-tax or post-tax	Taxability of benefits depends on how premiums were funded
Dependent Life Insurance	Can be offered to avoid imputed income	Sometimes pre-tax (but generally discouraged)	Pre-tax can cause taxable benefits on payout
Supplemental Life Insurance	N/A	Always post-tax	Usually, post-tax unless employer includes in cafeteria plan (rare).



Performance Reviews

Performance Management To Boost Employee Success

Transform your company culture with Solex Performance Management, fostering multi-directional communication and employee recognition. Enhance engagement and drive success with built-in tools that support both employees and managers in achieving maximum business performance.

Turn Performance Feedback Into Actionable Insights

Inconsistent or infrequent employee recognition leads to decreased motivation, lower engagement, and reduced productivity. Many organizations struggle to implement a systematic approach to acknowledging and rewarding employee contributions, resulting in a disengaged workforce. Establish a structured, ongoing recognition program that allows for both peer-to-peer and manager-to-employee acknowledgment of achievements and efforts.

Recognize and Reward Performance

Easily acknowledge and celebrate employee achievements, fostering motivation and encouraging high performance through recognition programs.

Easier To Manage Workforce Data

Streamline workforce data management by integrating various HR functions into a single platform, allowing for efficient tracking and analysis of employee performance and engagement metrics.

Create a Better Company Culture

By promoting open communication and collaboration, organizations can cultivate a positive company culture where employees feel valued, connected, and engaged in their work.

Contact your Solex HCM Customer Support Representative with any questions.



Key Features of HCM Performance Management

- **Employee Recognition Tools** - allows for peer-to-peer and manager-to-employee recognition, which can be done publicly or privately.
- **Performance Management** - Enables setting and tracking of goals for individuals, specific groups, and the entire company.
- **Reward System** - Employees can earn points on leaderboards and participate in opportunities to win prizes based on teamwork and performance.
- **Multi Directional Communication** - Facilitates collaboration and knowledge sharing across the organization.
- **Pulse Surveys** - Allows for deploying quick surveys to gather important employee input and feedback.
- **Employee Job History Records**- Maintains accurate and accessible job history records for every employee
- **360 Degree Reviews** - Conducts reviews from all angles to better monitor and report on performance.
- **Nine-Box Technology** - Helps identify star employees at a glance.

Contact your Solex HCM Customer Support Representative with any questions.



A Message from the Prez

For many employers the pre or post tax deductibility of benefit deductions are extremely confusing. Even payroll departments struggle to get it right. Before setting anything up it's always best to have a conversation with a higher level payroll company or tax advisor.

Occupying the spotlight this month is **Performance Management**. Setting up a consistent process of communicating and sharing feedback from managers and self-evaluations by employees provides the tools for a positive company culture.

These advancements ensure that businesses like yours remain ahead of the curve in a competitive and ever-changing landscape. We're proud to offer tools that not only meet industry standards but redefine them, helping you manage your workforce with unparalleled ease and efficiency.

“Powerful People, Powerful Platform.”

More From Solex HCM

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