

Non-Discrimination Testing

The IRS requires that all Section 125 Cafeteria Plans comply with non-discrimination regulations. Each Plan must pass this testing at least once in the plan year in order to be in compliance. There are three components of the testing:

01

Cafeteria Plan Eligibility Test

The Plan cannot have eligibility requirements that favor highly compensated employees.



02

Cafeteria Plan Concentration Test

Key employees cannot receive more than 25% of the total pre-tax benefits provided to all employees under the Plan.



03

Dependent Care Average Benefits Test

This test considers only Dependent Care FSA contributions. Highly compensated employees cannot receive a greater share of the total pre-tax benefits of the Plan than non-highly compensated employees.



Flores Testing Timeline

After plan year begins Flores sends a testing spreadsheet to the client.

30 days

Clients should complete and return the testing spreadsheet within 30 days (earlier is better).

10 days

Flores will perform all three tests within 7-10 days.

Results will be emailed.

If passed, testing is complete.

If failed, your dedicated Account Manager will make recommendations and retest.

Did you Know? Flores includes annual Non-Discrimination Testing services with FSA administration.

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