EXECUTIVE BRIEFING

Recapture Millions in Wasted School & Municipal Budget Dollars

A Comprehensive Guide to SIMERP Payroll Tax Recovery for Board Members, Superintendents, and Town Managers

Prepared By:

Recapture Capital
In Partnership with EHP, The Employer's Choice

Target Audience:

School District Boards, Superintendents, CFOs,
Town Managers, and Municipal Councils

Statutory Anchors

The mechanical lifecycle of every transaction relies strictly on four statutory sections of the Internal Revenue Code:

- **IRC § 125 (Cafeteria Plans):** Governs the permissible mechanism through which an employee may voluntarily elect to forfeit a slice of reportable salary in exchange for employer-sponsored, pre-tax health benefit coverages.
- **IRC § 106 (Employer Contributions):** Expressly excludes employer-provided coverage under an accident or health plan from the gross taxable income of the employee.
- **IRC § 105 (Medical Reimbursement Plans):** Authorizes tax-free reimbursements to employees for specialized medical, preventive, and wellness care expenses under an employer-funded, self-insured framework.
- **IRC § 213(d) (Qualifying Medical Care):** Restricts all plan-sponsored reimbursements and activities exclusively to certified, verified preventive care and medical treatment criteria.

Mathematical Formulation of the Tax Capture

The structural reduction in FICA liabilities is governed linearly by the reduction in the employee's gross taxable wage base. Let W_g represent the employee’s original gross reportable salary, A_w represent the pre-tax premium allocation directed toward the compliant wellness program, and r_f represent the statutory employer FICA tax rate (currently 7.65%, combining 6.2% Social Security and 1.45% Medicare taxes).

The Gross Employer Tax Savings (S_e) is computed explicitly as:

$$S_e = A_w \times r_f$$

For a standard, compliant monthly allocation of $A_w = \$1,200$ per employee per year, the raw employer FICA liability reduction scales linearly, generating predictable budgetary room that can be immediately reallocated by the district's chief financial officer into capital reserves, educational materials, or municipal stabilization funds.

Secondary Derivative Savings: Workers' Compensation Bases

Because statutory Workers' Compensation premiums across all 50 states are computed directly based on a percentage of the employer's reportable gross taxable payroll, the pre-tax reclassification under IRC § 125 yields a secondary structural benefit. When the gross reportable payroll base drops, the Workers' Comp premium calculation scales downward proportionally—frequently yielding up to a **30% reduction in annual premiums**, without altering coverage caps, active lines, or existing commercial carriers.

3. Institutional Risk Mitigation & Regulatory Alignment

Public boards have a fiduciary duty to eliminate regulatory, operational, and look-back tax risks. In recent years, the IRS has escalated enforcement against non-compliant fringe benefits, specifically targeting unverified "double-dip" arrangements or programs that issue tax-free cash payouts to employees without verifying legitimate medical claims or utilization activity.

IRS Chief Counsel Advice (CCA) Alignment

This SIMERP architecture is designed explicitly to align with the strict limitations outlined in **IRS Chief Counsel Advice (CCA) 202323006** (issued June 2023) and related guidance. The IRS explicitly prohibits wellness programs that issue cash exclusions or code-reclassifications based merely on an employee checking a box or logging into a website once a month. To remain compliant, the plan enforces:

Prohibited Practice (Non-Compliant Vendors)	Recapture Capital & EHP Safeguard & Architecture
Issuing tax-free cash standard reimbursements back to employees for basic, unverified participation.	**No Cash Re-routing:** All allocations remain strictly inside the health plan to provide real, verifiable IRC § 213(d) medical benefits.
Reimbursing employees for premiums paid via pre-tax salary reduction resulting in "double dipping".	**Fixed Premium Structure:** Deductions fund an independent, distinct self-insured platform with zero secondary cash leakages.
Lack of structured, time-stamped activity verification to prove plan execution to auditors.	**The Compliance Concierge Platform:** Full transactional tracing, Section 105 documentation, and ERISA tracking.

The EHP Compliance Concierge™ Shield

To eliminate compliance and administrative burdens from the district or town's existing HR staff, EHP deploys its proprietary **Compliance Concierge™** framework. This white-glove onboarding framework integrates an expert panel of ERISA counsel, third-party administrators (TPAs), certified public accountants, and specialized payroll engineers directly into the deployment pipeline. The protocol delivers:

- **Actuarial Customization:** Tailored SIMERP blueprints calibrated to the unique census, age distribution, and collective bargaining parameters of the individual public entity.
- **Mock Payroll Verification:** Pre-launch simulation testing with existing payroll systems (e.g., ADP, Paychex, MUNIS, or custom state systems) to guarantee clean General Ledger reconciliation before any live adjustments occur.
- **Digital Compliance Vault:** Real-time, continuous monitoring including mandatory Section 125 non-discrimination testing, automated participation logging, and immutable time-stamped record creation to ensure permanent audit readiness.

4. Formal Legal Framework & Structural Indemnification

This section constitutes the structural boundary governing the implementation of the SIMERP framework and must be carefully reviewed by general legal counsel for the School Board or Municipality prior to execution.

SECTION 4.1: COMPREHENSIVE DISCLAIMER, ALLOCATION OF RISK, AND INDEMNIFICATION PROTOCOL

1. Scope of Presentation & General Information Status: This document is compiled and distributed exclusively for high-level informational, operational, and structural reference purposes. Neither Recapture Capital, nor EHP, The Employer's Choice, nor any of their respective members, subsidiaries, affiliates, corporate partners, officers, employees, or contracted legal representatives (collectively referred to herein as the "Company Group") operate as, or intend to deliver, formal statutory legal, specialized accounting, certified fiduciary, or binding tax advisory services to the receiving School District, Board of Education, Town Council, City Management, Municipal Corporation, or associated public entities (collectively designated as the "Client Entity").

2. Independent Professional Valuation Directive: The structural and financial models, mathematical illustrations, and legislative interpretations presented within this dossier are generalized, non-binding predictive approximations based on historical data across broad national employment cohorts. Because federal, state, and local tax treatment depends heavily on individual employee participation variances, specific state-level municipal charters, and unique institutional payroll configurations, the Client Entity is strictly directed and required to submit all plan materials, ERISA document representations, and structural payroll blueprints to its own independent legal counsel, specialized labor attorneys, and certified public accountants prior to executing formal adoption documents.

3. Absolute Limitation of Liability & Indemnification: The Client Entity explicitly acknowledges and agrees that the decision to implement, maintain, or alter any employee fringe benefit plan, Section 125 cafeteria arrangement, or Section 105 self-insured reimbursement framework rests solely, exclusively, and fundamentally with the governing executive authority of the Client Entity. To the maximum extent permitted under applicable federal, state, and local administrative laws, the Company Group shall completely disclaim, and shall be held entirely harmless from, any and all liability, causes of action, regulatory claims, damages, look-back tax assessments, interest penalties, or operational costs arising directly, indirectly, or consequentially from the Client Entity's reliance upon these conceptual blueprints, or from any subsequent operational adjustments executed within the Client Entity's third-party or internal payroll systems.

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Implementation Pathway for Public Leadership

To safely navigate adoption without administrative friction, the established deployment sequence proceeds along four clear phases:

Phase 01: Secure Census Ingestion & Preliminary Validation
The district's or town's HR department provides a secure, fully anonymized payroll census file. Our actuarial engineers execute an optimization review to deliver a definitive, legally guaranteed ROI matrix outlining baseline FICA recovery limits.

Phase 02: General Counsel Review & Structural Assembly

Custom-tailored ERISA plan documents, Section 105 SIMERP structural configurations, and formal corporate benefit pairings are compiled. These documents are provided directly to the School Board or Municipal Council's internal legal counsel for localized vetting and immediate validation.

Phase 03: Payroll Integration & Mock Reconciliations

Our system integration specialists coordinate directly with your internal payroll administrators or software providers to establish precise General Ledger codes, verify pre-tax mapping, and run end-to-end sandbox simulations to verify data integrity.

Phase 04: Employee Communication & Supervised Onboarding

We deploy structured, clear, non-mandatory educational materials and hosting infrastructure. Employees are smoothly introduced to their new zero-copay health and wellness resources, while automated compliance logging activates in the background.