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State of New Jersey — Division of Pensions & Benefits
New Jersey State Employees Tax Savings Program (Tax$ave)

PREMIUM OPTION PLAN

Take a Bite out of Your Tax Liability

What is the Premium Option Plan?

The Premium Option Plan (POP) is a benefit of Tax$ave available to State employees participating in the State Health Benefits Program (SHBP). POP allows you to save money by paying any medical contributions and dental premiums you may have for your SHBP coverage with before-tax dollars. You will not have to pay federal income taxes, Medicare, or Social Security taxes on money earned which is used to pay contributions or premiums. Through the POP, you pay less in taxes and in turn increase your take-home pay.

How Do I Enroll?

Enrollment into the Premium Option Plan (POP) is automatic. The POP runs on a calendar year basis.

Advantages and Disadvantages of the POP

The major advantage of the POP is that it increases your take-home pay by reducing your federal taxes — income, Medicare, and Social Security. The example at the right shows the additional take-home pay an individual could have when participating in the POP as opposed to not participating in the POP.

Enrollment in the POP is simple. If you wish to participate in the POP, do nothing and you will automatically be enrolled and pay less in taxes.

One of the disadvantages is that it may reduce your Social Security wage base which may slightly affect your Social Security payments when you eventually collect them.

If you do not wish to take advantage of this money saving plan in 2027, you must decline enrollment by completing a Declination of Premium Option Plan form. Even if you declined enrollment for 2026, you must complete another form declining enrollment for 2027. The form is available from your benefits administrator, and must be returned to your benefits administrator before October 31, 2026, to decline enrollment in 2027.

Before you decline and pay more in taxes,please read the "Social Security Implications" section in our *Tax$ave* Fact Sheet. Declining POP may not be a wise financial decision for you.

Individual Participating in POP

Net Biweekly Salary*	$2,000.00
Less Medical/Rx Contribution**	52.78
Less Dental Premium**	63.97
Taxable Salary	$1,883.25
Less Estimated Taxes:	
Federal	142.17
FICA	144.07
Salary after Taxes	$1,597.01
Spendable Income **with** POP	$1,597.01

Individual Not Participating in POP

Net Biweekly Salary*	$2,000.00
Taxable Salary	$2,000.00
Less Estimated Taxes:	
Federal	156.18
FICA	153.00
Salary after Taxes	$1,690.82
Less Medical/Rx Contribution**	52.78
Less Dental Premium**	63.97
Spendable Income **without** POP	$1,574.07
Spendable Income **with** POP	$1,597.01
Spendable Income **without** POP	$1,574.07
Additional Spendable Biweekly Income with POP	**$22.94**
Annual Savings with POP* **	**$619.38**

* Salary after pension (414h) deduction of 7.5 percent.

* Medical/Rx Contribution based on NJ DIRECT 15 Plan Year 2026 State Biweekly contribution rate for Family coverage. Dental Premium based on Dental Expense Plan 2026 Plan Year rate for Family coverage (27 pay periods).

*** Savings based on a Married person with zero allowances at the 12 percent federal tax bracket. FICA calculated at 7.65 percent of taxable salary. At higher tax brackets, the annual savings would be greater.