

2020 - 2021 Employee Benefit Summary (Effective May 1, 2020)

Our employees' health and well-being is a fundamental concern to Karsun; therefore, our goal is to provide a benefits package that exceeds industry norms and provides exceptionally comprehensive benefits. All full-time salaried exempt employees are eligible for most of the company provided benefits first of the month following hire.

Paid Time Off (PTO):

Full-time salaried exempt employees with less than 2 years of employment with Karsun are eligible for three (3) weeks of PTO per year, accrued on a semi-monthly basis. Full-time salaried exempt employees with more than 2 years of employment with Karsun are eligible for four (4) weeks of PTO per year, accrued on a semi-monthly basis. The maximum "carry-over" into a calendar year is 40 hours. Full-time salaried exempt employees with less than 1 year of employment with Karsun are eligible for 40 hours of advanced/unearned PTO. Full-time salaried exempt employees with more than 1 year of employment with Karsun are eligible for 80 hours of advanced/unearned PTO.

Holidays:

Ten (10) paid holidays each year. Six (6) federal holidays plus four (4) floating holidays.

Healthcare (Medical, Dental, Vision) Coverage:

Karsun offers three (3) medical plan options through Cigna, and dental insurance with orthodontia coverage and vision coverage is through Guardian for benefit eligible class employees. The premium rates are included in the Benefit Guide. Karsun's Open Enrollment is effective May 1.

Long-Term Disability (LTD) and Short-Term Disability (STD) Coverage:

Karsun pays 100% for the following LTD/STD coverage to all full-time employees.

STD: Receive 60% of weekly earnings up to \$2,000 per week for up to 13 weeks after 7 days of disability.

LTD: Receive 60% of monthly earnings up to \$7,500 per month after 90 days of disability.

Life Insurance (Basic Employer Paid and optional Supplemental Life Insurance):

Karsun offers 100% of the life insurance coverage in the amount of 1 x salary up to \$200K. Please note that this benefit reduces to 65% at age 70 and 50% at age 75. Supplemental life is optional with a guaranteed issue of \$100k, and the elected maximum approximates \$500k with evidence of insurability.

Retirement Plan (401k):

All employees classified as "benefit eligible", 21 years or older, can participate in Karsun sponsored 401K Retirement Plan offered through VOYA Financial Services. Participants may defer up to 100% of total compensation on a pre-tax basis up to the IRS maximum. Your election may be made as either a fixed dollar amount or as a percentage of pay. The Employer will make a Safe Harbor Matching contribution. The company will match 100% for the first 3% of salary, and 50% up to the next 2% of salary for a total match of 4%. You will always be 100% vested in your Safe Harbor Accounts.

Commuter Expense:

All full-time employees can reimburse some of their commuting expenses up to a maximum of \$270 per month, taxed in accordance with IRS Publication 15-B. Tolls are not part of IRS 15-B; however, they can be reimbursable if included as part of the \$270 maximum, and they will be treated as taxable income.

College 529 Plan: Karsun offers all full-time employees the opportunity to contribute to a 529 College savings plan through Karsun which allows you to establish automatic recurring ACH contributions from your banking institution on an after-tax basis.

Effective May 2020

Exclusion from wages. You can generally exclude the value of a no-additional-cost service you provide to an employee from the employee's wages.

Exception for highly compensated employees. You can't exclude from the wages of a highly compensated employee the value of a no-additional-cost service that isn't available on the same terms to one of the following groups.

- All of your employees.
- A group of employees defined under a reasonable classification you set up that doesn't favor highly compensated employees.

For this exclusion, a highly compensated employee for 2020 is an employee who meets either of the following tests.

1. The employee was a 5% owner at any time during the year or the preceding year.
2. The employee received more than \$125,000 in pay for the preceding year.

You can choose to ignore test (2) if the employee wasn't also in the top 20% of employees when ranked by pay for the preceding year.

Retirement Planning Services

You may exclude from an employee's wages the value of any retirement planning advice or information you provide to your employee or his or her spouse if you maintain a qualified retirement plan. A qualified retirement plan includes a plan, contract, pension, or account described in section 219(g)(5) of the Internal Revenue Code. In addition to employer plan advice and information, the services provided may include general advice and information on retirement. However, the exclusion doesn't apply to services for tax preparation, accounting, legal, or brokerage services. You can't exclude from the wages of a highly compensated employee retirement planning services that aren't available on the same terms to each member of a group of employees normally provided education and information about the employer's qualified retirement plan.

Transportation (Commuting) Benefits

This section discusses exclusion rules that apply to benefits you provide to your employees for their personal transportation, such as commuting to and from work. These rules apply to the following transportation benefits.

- De minimis transportation benefits.
- Qualified transportation benefits.

Special rules that apply to [demonstrator cars](#) and [qualified nonpersonal use vehicles](#) are discussed under *Working Condition Benefits*, later in this section.

De Minimis Transportation Benefits

You can exclude the value of any de minimis transportation benefit you provide to an employee from the employee's wages. A de minimis transportation benefit is any local transportation benefit you provide to an employee if it has so little value (taking into account how frequently you provide transportation to your employees) that accounting for it would be unreasonable or administratively impracticable. For example, it applies to occasional local transportation fare you give an employee because the employee is working overtime if the benefit is reasonable and isn't based on hours worked. Local transportation fare provided on a regular or routine basis doesn't qualify for this exclusion.

A special rule allows you to exclude as a de minimis benefit public transit passes, tokens, or fare cards you provide at a discount to defray your employee's commuting costs on the public transit system if the discount doesn't exceed \$21 in any month. Similarly, you may also provide a voucher or similar instrument that is exchangeable solely for tokens, fare cards, or other instruments that enable your employee to use the public transit system if the value of the vouchers and other instruments in any month doesn't exceed \$21. You may also reimburse your employee to cover the cost of commuting on a public transit system, provided your employee doesn't receive more than \$21 in reimbursements for commuting costs in any month. The reimbursement must be made under a bona fide reimbursement arrangement, where you establish appropriate procedures for verifying on a periodic basis that your employee's use of public transportation for commuting is consistent with the value of the benefit provided. The exclusion doesn't apply to the provision of any benefit to defray public transit expenses incurred for personal travel other than commuting.

Employee. For this exclusion, treat any recipient of a de minimis transportation benefit as an employee.

Qualified Transportation Benefits

This exclusion applies to the following benefits.

- A ride in a commuter highway vehicle between the employee's home and work place.
- A transit pass.
- Qualified parking.

You may provide an employee with any one or more of these benefits at the same time.

Qualified transportation benefits can be provided directly by you or through a bona fide reimbursement arrangement. A bona fide reimbursement arrangement requires that the employee incur and substantiate expenses for qualified transportation benefits before reimbursement. However, cash reimbursements for transit passes qualify only if a voucher or a similar item that the employee can exchange only for a transit pass isn't readily available for direct distribution by you to your employee. A voucher is

readily available for direct distribution only if an employer can obtain it from a voucher provider that doesn't impose fare media charges or other restrictions that effectively prevent the employer from obtaining vouchers. See Regulations section 1.132-9(b)(Q&A 16–19) for more information.

Compensation reduction agreements. A compensation reduction agreement is a way to provide qualified transportation benefits on a pre-tax basis by offering your employees a choice between cash compensation and any qualified transportation benefit. A compensation reduction arrangement can be used with a bona fide reimbursement arrangement. For each month, the amount of the compensation reduction can't exceed the monthly limits for transportation benefits described in [Exclusion from wages](#), later. For more information about providing qualified transportation fringe benefits under a compensation reduction agreement, see Regulations section 1.132-9(b)(Q&A 11–15).

Commuter highway vehicle. A commuter highway vehicle is any highway vehicle that seats at least 6 adults (not including the driver). In addition, you must reasonably expect that at least 80% of the vehicle mileage will be for transporting employees between their homes and workplace with employees occupying at least one-half the vehicle's seats (not including the driver's).

Transit pass. A transit pass is any pass, token, farecard, voucher, or similar item entitling a person to ride, free of charge or at a reduced rate, on one of the following.

- On mass transit.
- In a vehicle that seats at least 6 adults (not including the driver) if a person in the business of transporting persons for pay or hire operates it.

Mass transit may be publicly or privately operated and includes bus, rail, or ferry. For guidance on the use of smart cards and debit cards to provide qualified transportation fringes, see Revenue Ruling 2014-32, 2014-50 I.R.B. 917, available at [IRS.gov/irb/2014-50_IRB#RR-2014-32](https://www.irs.gov/irb/2014-50_IRB#RR-2014-32).

Qualified parking. Qualified parking is parking you provide to your employees on or near your business premises. It includes parking on or near the location from which your employees commute to work using mass transit, commuter highway vehicles, or carpools. It doesn't include parking at or near your employee's home.



Qualified bicycle commuting reimbursement suspended. Section 11047 of P.L. 115-97 suspends the exclusion of qualified bicycle commuting reimbursements from your employee's income for any tax year beginning after 2017 and before 2026.

Employee. For this exclusion, treat the following individuals as employees.

- A current employee.
- A leased employee who has provided services to you on a substantially full-time basis for at least a year if

the services are performed under your primary direction or control.

A self-employed individual isn't an employee for qualified transportation benefit purposes.

Exception for S corporation shareholders. Don't treat a 2% shareholder of an S corporation as an employee of the corporation for this purpose. A 2% shareholder is someone who directly or indirectly owns (at any time during the year) more than 2% of the corporation's stock or stock with more than 2% of the voting power. Treat a 2% shareholder as you would a partner in a partnership for fringe benefit purposes, but don't treat the benefit as a reduction in distributions to the 2% shareholder. For more information, see Revenue Ruling 91-26, 1991-1 C.B. 184.

Relation to other fringe benefits. You can't exclude a qualified transportation benefit you provide to an employee under the de minimis or working condition benefit rules. However, if you provide a local transportation benefit other than by transit pass or commuter highway vehicle, or to a person other than an employee, you may be able to exclude all or part of the benefit under other fringe benefit rules (de minimis, working condition, etc.).

Exclusion from wages. You can generally exclude the value of transportation benefits that you provide to an employee during 2020 from the employee's wages up to the following limits.

- \$270 per month for combined commuter highway vehicle transportation and transit passes.
- \$270 per month for qualified parking.

Benefits more than the limit. If the value of a benefit for any month is more than its limit, include in the employee's wages the amount over the limit minus any amount the employee paid for the benefit. You can't exclude the excess from the employee's wages as a de minimis transportation benefit.



Qualified transportation benefits aren't deductible. Section 13304 of P.L. 115-97 provides that no deduction is allowed for qualified transportation benefits (whether provided directly by you, through a bona fide reimbursement arrangement, or through a compensation reduction agreement) incurred or paid after 2017. Also, no deduction is allowed for any expense incurred for providing any transportation, or any payment or reimbursement to your employee, in connection with travel between your employee's residence and place of employment, except as necessary for ensuring the safety of your employee or for qualified bicycle commuting reimbursements as described in section 132(f)(5)(F) (even though the exclusion for qualified bicycle commuting reimbursements is suspended, as discussed earlier). While you may no longer deduct payments for qualified transportation benefits, the fringe benefit exclusion rules still apply and the payments may be excluded from your employee's wages as discussed earlier. Although the value of a qualified transportation fringe benefit is relevant in