Flexible Spending Account
Employee Benefit Guide

For the Employees of:

Administered by:

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FSA 101:

A Flexible Spending Account (FSA) is an employer-sponsored plan that lets you deduct dollars from your paycheck and put them into a special account that's protected from taxes.

Authorized by the Internal Revenue Service (IRS), a Flexible Spending Account (FSA) is a tax-advantaged way to pay for certain medical, dependent care or work-related transportation expenses. This added benefit allows you to pay for these expenses using pre-tax dollars; therefore, your taxable income is lowered resulting in a higher take home pay.

It's the easy way to cut your out-of-pocket family care expenses by 30% or more!

There are three types of FSA

1) **Medical Care FSA** - helps pay for medically necessary expenses not covered or only partially covered by your health, dental and/or vision insurance.
2) **Dependent Care FSA** - helps you to pay for certain dependent care expenses such as day care for a child or elderly adult.
3) **Qualified Transportation Benefit (QTB)** – helps you to pay eligible work-related transportation expenses.

You may elect to participate in one or all of these based on what is offered by your employer.

How does the FSA work?

When you enroll in the FSA plan you:

1) Estimate the amount of family care expenses you are sure you will incur during the year.

2) Have that amount deducted from your paychecks in equal amounts throughout the year.

Your actual salary remains the same. HOWEVER, your taxable salary as reported to the government is reduced by the amount you put into your FSA.

3) Incur eligible expenses throughout the year.

4) Submit a Reimbursement Form (by fax or mail) along with documentation of the expense, and you are reimbursed with funds from your FSA account, avoiding taxes.

5) Your FSA reimburses you for the eligible expense.

6) You will have online access to review your account summary to help you keep track of your account.

Only costs of purchases made or services provided during the plan year and while you are a participant, are eligible for reimbursement.

The IRS rules that if you don't use all of the money in the account when the year is up, those funds will no longer be available to you. Just make sure you don't contribute more than you know your expenses will be.

(See the included worksheet to help you figure out the right amount to put into your account.)

YOU CAN ONLY CHANGE YOUR ELECTION DURING THE PLAN YEAR AS A RESULT OF A MID-YEAR ELECTION CHANGE AS SPECIFIED IN YOUR FSA HIGHLIGHTS SHEET.

SOCIAL SECURITY BENEFITS CALCULATIONS WILL BE BASED ON YOUR LOWER TAXABLE EARNINGS FIGURES. (YOU CAN CONSULT WITH YOUR LOCAL SOCIAL SECURITY OFFICE TO EXPLORE ANY EFFECTS THIS MAY HAVE ON YOUR BENEFITS — WHICH ARE USUALLY VERY MINOR.)

PARTICIPATING IN A FSA

You elect a specific amount of dollars deducted from your gross (before tax) earnings each pay period. (Participating in multiple FSA accounts will result in separate withholdings.) Contributing these pre-tax dollars will lower your taxable income. That means you increase your spendable income!

The money you have withheld is kept in an account with your employer. When you submit a claim for eligible expenses, you are reimbursed from that account. *Let's look at an example…*

Stella & Patrick Jones earn $60,000 combined income per year.

They are in a 32% tax bracket for Federal, State, FICA & Medicare taxes.

The Jones family spends $800 per year in eligible medical care expenses for eyeglasses, dental visits & their deductible.

The Jones family has a daughter in daycare. They spend $75 per week, $3,900 per year, on eligible childcare expenses.

Using their FSA Stella & Patrick's spendable income increases per year because less tax is withheld.

	NO FSA	FSA
Combined Gross Annual Salary	$60,000	$60,000
Pre-Tax Medical Care Expenses	-	-$800
Pre-Tax Dependent Care Expenses	-	-$3,900
Taxable Income	$60,000	$55,300
Income Taxes @ 32%	-$19,200	-$17,696
After-Tax Medical Care Expenses	-$800	-
After-Tax Dependent Care Expenses	-$3,900	-
Spendable Income	$36,100	$37,604

IT'S EASY TO PARTICIPATE IN A FSA

1) Estimate the amount of money you will spend in the upcoming plan year for:
   - medical care
   - dependent care for your dependents
   - work-related transportation

   **If you are a newly eligible employee estimate the amount of money for the remainder of the current plan year.*

2) Elect an amount based on your expenses then complete and sign the enrollment form.

3) Return the enrollment form to your employer by the designated due date.

FREQUENTLY ASKED QUESTIONS

Q. Can I use the Medical Care FSA to pay for my spouse's deductibles and/or co-payments if they are not covered by my medical plan?

A. Yes. However, health care premiums deducted from your spouse's paycheck and premiums for individual insurance polic not eligible.

Q. To what age may I use the Dependent Care FSA for expenses incurred for my child?

A. You may submit expenses incurred for your dependent child before his/her 13th birthday.

Q. What happens if my expenses are lower than I anticipated?

A. The IRS stipulates that you must forfeit any funds remaining in your account at the end of the plan year or after termination. However, you are given an additional period of time to submit receipts for services incurred during the plan year or before termination.

Q. Do I have to complete the IRS Form 2441 if I am using the Dependent Care FSA in lieu of a tax credit on my personal tax

A. Yes. Instead of completing Part I and Part II, you should complete Part I and Part III of the IRS Form 2441.

Q. Can I change the amount of money I set aside in my account(s) during the plan year?

A. As a general rule, no. However, the IRS does allow you to make changes when a qualifying event occurs divorce, or gaining or losing a spouse or dependent.