

# Understanding your Voluntary Health Care Flex Spending Account:



A Health Care Flexible Spending Account (Medical FSA) is a reimbursement account available through many employers. Sometimes referred to as cafeteria or section 125 plans. It allows you to set aside money for out-of-pocket healthcare costs from your paycheck into an account before taxes are taken out and best of all it doesn't cost you anything to participate.

You may use this reimbursement for yourself, a spouse (if filing a joint tax return), and a "qualified child" or "qualified relative". You may also claim medical expenses you incur and pay to medical providers of a child for whom you don't get the tax exemption due to a divorce decree, as long as one parent claims the child as a tax dependent. (The tax exemption may switch from year to year between parents. As long as one parent gets the tax exemption, the medical expenses you pay on behalf of the child to the medical provider qualify under the Medical FSA.)

In order for an individual to be considered a "qualifying child," an individual must:

- Be a "child" of the taxpayer (whether by blood or adoption), son, daughter, grandchild, niece, nephew, foster child, sibling or stepsibling, or a descendant of one of these;
- Did not provide more than one half of his/her own support for the year;
- Must be under the age of 19 at the end of the tax year (or 24 if a full-time student for at least five months of the year) or any age if permanently and totally disabled any time during the year;
- Reside with you for more than half of the year. Exceptions apply, in certain cases, for children of divorced or separated parents, kidnapped children, temporary absences, and for children who were born or died during the year;
- Be a U.S. citizen or national, or a resident of the U.S., Canada or Mexico.

In order for an individual to be considered a "qualifying relative," he or she must:

- Be a blood relative OR share the same primary residence with the taxpayer if not a blood relative;
- The individual is not a qualifying child or you or any other tax payer;
- You provide over half of his/her support;
- Be a U.S. citizen

*The following healthcare expenses qualify for reimbursement under a flexible spending account (FSA) plan.\**

*Only healthcare expenses not covered by insurance can be claimed*

Acupuncture	Eye examination fees	Periodontist
Adoption expenses	Eyeglasses, contacts, eye surgery	Prescribed medications
Adult and child daycare services	Gynecologist fees	Physician fees
Alcoholism Treatment	Hearing devices and batteries	Podiatrist fees
Ambulance	Home healthcare	Psychiatric care
Artificial limbs (prosthesis)	Hospital Bills	Psychologist and psychiatrist fees
Birth control	Insulin	Radiology
Chiropractic services	Laboratory fees	Medical equipment
Deductibles and co-pays	Massages (with physicians letter)	Smoking-cessation programs
Crutches	Midwife	Smoking-cessation medications
Chiropractor fees	Mileage to and from doctor	Surgical fees
Laser eye surgery	Obstetrics and fertility	Transplants
Dental services and dentures	Orthodontist fees	Wigs for hair loss caused by disease
Diagnostic fees	Osteopath	X-ray and MRI
	Over-the-counter drugs	

*Items requiring a physicians letter listing a medical condition making the item necessary. \**

*Healthcare expenses that Do Not qualify for reimbursement under a FSA plan. \**

Acne Treatment  
Bedpans and ring cushions  
Boost / Pediasure  
Foot Spa  
Herbs  
Messages  
Minerals  
Oxygen  
Reconstruction surgery in connection with birth defect, disease or accident  
Special Supplements  
Special School for disabled child  
Special teeth cleaning system  
Therapeutic support gloves  
Vitamins  
Weight loss programs and supplements

Controlled Substances  
Cosmetic Surgery  
Cosmetics  
Dental Bleaching  
Ear Piercing  
Electrolysis  
Hair Restoration  
Gym memberships for general health  
Hygiene Products (Hair, Skin or Feminine)  
Late fees for medical bills  
Marriage or Family Counseling  
Mail order prescriptions from another country  
Maternity Clothes  
Pre-payments for medical services  
Weight loss programs for general health



*The following Over-the-counter purchases qualify for reimbursement under a flexible spending (FSA) plan.\**

*(\*List subject to change without notice)*

Acid Reducers	Decongestant	Nasal decongestant
Acne Medications	Dental /Denture adhesives	Neosporin
Alcohol swabs	Diabetic supplies	Nicotine gum / patch
Allergy Prevention Medications	Dietary supplements	Orajel
Anti-diarrhea medicine	Diaper rash ointment	Pain relievers
Antifungal	Ear drops / wax removal	Pedialyte
Antihistamines	Eye drops or patches	Pill box
Anti-itch lotions and creams	Eczema cream	Pregnancy test
Arthritis pain reliever	First aid kits and supplies	Pre-natal vitamins
Aspirin, Advil, Tylenol, etc.	Flu relief	Prilosec
Asthma Medications	Fluoride	Reading glasses
Bactine	Foot care	Rubbing alcohol
Bandages	Gas relief / prevention	Sinus medication
Bronchial asthma inhalers	Hemorrhoid medicines	Sleeping aids
Burn creams	Hydrocortisone cream	Skin care
Cholesterol tests	Hydrogen peroxide	Sore throat relievers
Cold relief	Itch relief	Sunburn relief
Cold sore medication	Joint supports / wraps	Sunscreen
Condoms	Laxatives	Teething/toothaches
Contact lens supplies	Lice control	Thermometers
Cotton balls	Lip balm	Upset stomach relievers
Cough suppressants	Medicated chest rub	Wart removals
	Midol	Wound Care (Neosporin)
	Motion sickness medication	

*(\*Eligible expenses listed are subject to change without notice)*

With a FSA you can access your entire year's worth of contributions at the start of your company's plan year. For example, if you incur an out of pocket medical expense that equals the total annual election amount anytime during your plan year you may be reimbursed for the entire amount up to your annual election before you have contributed that amount of money to your account.

On the other hand if you don't use all of your money that you elected by the end of the benefit plan year, your employer can't refund it to you. This is known as the "use-it-or-lose-it" rule. When you contribute to an FSA, you agree to reduce your salary by a specified amount therefore reducing your taxable dollars. If you were to receive the unused amount at the end of the Benefit Period, the IRS would consider this "deferred compensation" (requiring your employer to issue a separate tax form) which is prohibited under the section 125 of the IRS code, thus the "use-it-or-lose-it" rule. Employers cannot provide a tax form for any employee regarding funds that have not been used to be taxed. But the amount of money you risk forfeiting from your FSA at the end of the benefit plan year is small compared to the substantial savings-especially now that you can spend FSA dollars on over-the-counter medicines that you use every day.



The advantage of have a Health FSA is that you're spending pretax dollars, so you end up paying fewer taxes on your salary and having more to spend. In other words, with an FSA, you can both reduce your taxes and get more for your money by saving from 20% to more than 40% you would normally pay for out-of-pocket health care expenses with after-tax (as opposed to taxed) dollars.

Below are three examples of individuals that have chosen to take advantage of a flex spending account. To see how much you could save take a moment to complete the basic online worksheet calculator at [www.mytakecareplan.com](http://www.mytakecareplan.com).

Susan			
Co-pays to doctors and hospitals		\$175.00	
Medications (over-the-counter and prescription)		\$100.00	
Eye Care (Eyeglasses and contacts)		\$160.00	
Dental Care (cleanings fillings and x-rays)		\$100.00	
<b>TOTAL YEARLY COST</b>		<b>\$535.00</b>	
With FSA		Without FSA	
Bi-monthly pay (24 paychecks)	\$480.00	Bi-monthly pay (24 paychecks)	\$480.00
FSA Deduction	-\$22.29	Taxes*	-\$134.40
Subtotal	\$457.71	Bimonthly Pay	\$345.60
Taxes*	-\$128.15	Medical Expenses	-(22.29)
<b>Bimonthly Pay</b>	<b>\$329.56</b>	<b>Money Remaining</b>	<b>\$323.31</b>

(\*based on a 28% tax bracket)

John			
Co-pays to doctors and hospitals		\$250.00	
Medications (over-the-counter and prescription)		\$175.00	
Dental Care (cleanings and braces)		\$160.00	
Smoking-cessation Program		\$125.00	
<b>TOTAL YEARLY COST</b>		<b>\$710.00</b>	
With FSA		Without FSA	
Bi-monthly pay (24 paychecks)	\$720.00	Bi-monthly pay (24 paychecks)	\$720.00
FSA Deduction	-\$29.59	Taxes*	-\$201.60
Subtotal	\$690.41	Take Home Pay	\$518.40
Taxes*	-\$193.31	Medical Expenses	-(29.59)
<b>Take Home Pay</b>	<b>\$497.10</b>	<b>Money Remaining</b>	<b>\$488.81</b>

(\*based on a 28% tax bracket)

Bob			
Co-pays to doctors and hospitals		\$2050.00	
Medications (over-the-counter and prescription)		\$300.00	
Eye care (eyeglasses and prescription sunglasses)		\$75.00	
Psychologist Visits		\$160.00	
Orthodontist Care (Dentures, crowns and bridges)		\$500.00	
<b>TOTAL YEARLY COST</b>		<b>\$3025.00</b>	
With FSA		Without FSA	
Bi-monthly pay (24 paychecks)	\$1000.00	Bi-monthly pay (24 paychecks)	\$1000.00
FSA Deduction	-\$126.04	Taxes*	-\$280.00
Subtotal	\$873.96	Take Home Pay	\$720.00
Taxes*	-\$244.71	Medical Expenses	-(126.04)
<b>Take Home Pay</b>	<b>\$629.25</b>	<b>Money Remaining</b>	<b>\$593.96</b>

(\*based on a 28% tax bracket)



# Understanding your Voluntary Dependent Care Flex Spending Account:



The Dependent Care Flex Spending Account (Dependent Care FSA) is a reimbursement account available through many employers. Through this spending account the IRS allows you to set aside up to \$5,000 (if single or married and filing joint tax returns) or \$2,500 (if married and filing separate) from your annual pay into an account to pay for out-of-pocket child care services before taxes are taken out. Best of all it doesn't cost you anything to participate. Only work related dependent care expenses qualify for reimbursement. Expenses are considered work-related only if they allowed you and your spouse, if married, to work or look for work and they are for a qualifying person's care. For example, the cost of a babysitter while you and/or your spouse go out to eat is normally not a work-related expense.

You may use this reimbursement for most work-related expenses incurred throughout the year for care of a child under the age of 13 "qualifying child". Additionally, if you have an incapacitated parent or spouse that lives with you at least 8 hours each day and requires assistance with day-to-day living "qualifying relative", you can claim these expenses through your dependent care spending account also.

Per IRS regulations, this can be a licensed day care provider or an individual. You must get a signed document by the care facility you are using for us to keep on file.

## General requirements:

- 1) Your child/dependent care expense must be incurred to allow you and your spouse, if married, to work or look for work.
- 2) The provider of the child/dependent care must be someone you and your spouse could not claim as a dependent and if the provider was your child then he/she must have been 19 or older by the end of the year.
- 3) You must supply the provider's
  - a. Name and Address
  - b. Taxpayer Identification Number or Social Security Number
  - c. Actual dates on which care was provided (not billing/payment date)
  - d. Amounts of dependent day care charge



*The following Dependent Care expenses qualify for reimbursement under a dependent care account*

Application fees, agency fees, and deposits  
Before and After School Care  
Daycare centers  
Au pair  
Baby Sitter (must be 19 years-old)  
Dependent care center. (If the center serves seven or more children/adults and must comply with all applicable state and local regulation)  
Nanny  
Day Camps  
Nursery Schools (pre-kindergarten)

*Dependent Care expenses that Do Not qualify for reimbursement under a dependent care account*

Educational Services (Kindergarten or higher)  
Housekeeper  
Chauffeur or gardener  
Activity fees, books and meals  
Fieldtrips  
Swimming, piano, dancing or other lessons  
Art Supplies  
Clothing  
Entertainment  
Overnight Camps  
Care provided by dependent you or your spouse claim as a tax exemption

## Understanding your payment options With a Health Care or Dependent Care **Flex Spending Account:**



After you have decided how much money you want to set aside from your paycheck and how you want to spend it, there are three easy ways to access your money.

1. You may submit receipts and receive reimbursements by
  - a. Checks mailed to your home, or
  - b. Direct deposit of funds sent directly to your bank account.
2. Use the take care® debit card.

The take care® debit card available from the Benecom Company is a Visa® card that gives the participant an easy, automatic way to pay for qualified health care expenses without having to make excessive payments out of pocket and wait for reimbursement. The card is linked to your flex spending account with the available funds of the participant's annual election amount. The purchase is automatically transferred to the merchant/provider for immediate payment, no additional paperwork is required.



The take care® debit card is only accepted at doctor's offices, pharmacies, daycare providers and hospitals. The card is designed to only allow eligible medical expenses to be paid for by the card. If a merchant attempts to use the debit card for an ineligible expense the card will decline payment. If you use your card at a qualified location (Wal-Mart, Sam's Club, Walgreens, Medco, drugstore.com, or any medical supply retailer) and are purchasing both covered and non-covered items, the transaction will be automatically split (paying for the covered items first) and they will ask for another form of payment for the non-covered items.

Upon receiving your take care® debit card you will receive an envelope to store all receipts – PLEASE KEEP ALL RECEIPTS. If any portion of a card payment is considered questionable by the IRS, you will be notified and asked to turn in the receipts from the purchase. The IRS requires that every purchase made with the take care® debit card verified. The IRS does allow or some “automatic verification” if the purchase is for a common amount that relates to the employee's co-pay for office visits, prescriptions, or if the merchant is a participant of the IIAS system, which codes covered items on your receipt. All other charges to the card are treated as “conditional pending” which means you will need to supply The Benecom Company with receipts noting the service or product, date, and amount. This is a very critical requirement under the IRS ruling that must be followed by every participant using the take care® debit card. If you do not respond to the request for a receipt, you will be asked to repay the amount or your card will be suspended. You have the option of paying the amount online at [www.myflexonline.com](http://www.myflexonline.com) or by deducting it from an approved future claim. A service charge of \$10.00 will be deducted from the participants flex account each time you do not respond by the deadline or if you make a purchase of non-qualifying items.

**What happens when a participant terminates employment?**

The take care® debit card will be cancelled upon notification of termination of employment from the employer. You can still file claims via mail, fax or e-mail for any purchases you made and did not use your take care® debit card while employed.

**Is there a fee for the take care debit card?**

Some employers may choose to cover the cost of the take care® debit card for their employees, however, some may pass the cost of use of this convenient payment method to the individual participant. If the employer chooses not to cover the cost the annual fee for use of the take care® card will be automatically deducted from the participant's annual election limit.

**How do I enroll?**

You may enroll for the take care® debit card online at [www.myflexonline.com](http://www.myflexonline.com) or by simply filling out the debit card enrollment form provided by The Benecom Company.

