

Flexible Spending Account (FSA)

Overview

- You may voluntarily reduce your pay and contribute on a pre-tax basis to an individual FSA
- FSA's are used to reimburse you for certain out-of-pocket expenses for you and/or your eligible dependents:
 - Health Care Spending Account
 - Dependent Day Care Spending Account
- You may direct any amount up to \$5,000.00 annually (\$416.66 per month, \$96.15 per week) to either or both accounts
- If your spouse works and contributes to an FSA, the maximum amount for a dependent day care account is \$2,500.00 per person per calendar year
- You can use FSA dollars to be reimbursed for eligible expenses
- Money you use from your account for qualified expenses is not subject to:
 - Federal Income Tax
 - Social Security Tax
 - Most State and Local Income Taxes

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Health Care Spending Accounts

Eligible Expenses:

- Incurred during a Plan year in which you participated in the account
- Are not reimbursed under any other plan sponsored by the Company, or a plan maintained by any other source (i.e. – spouse's insurance)
- Are not incurred before you participate in the account

Examples:

- Medical, dental or vision expenses not otherwise covered by a plan
- Annual deductibles and co-payments, including prescription drug copays
- Certain over-the-counter medications
- Expenses in excess of plan limits

Ineligible Expenses:

- Premiums for coverage under health care plans or other insurance plans
- Vitamins
- Cosmetics
- Meals
- Marriage or family counseling
- Health club dues
- Pretreatment estimates
- Cosmetic surgery
- Workers' Compensation charges

How to file a claim:

- You can file a claim during the Plan year and until March 31 of the next year
- Must have the explanation of benefits statement received from the third party administrator
- Must have the original itemized bill for eligible expenses that are not covered by the Company's Plan or another Plan (i.e. – spouse's plan)
- Expenses must be submitted to all Plans covering the individual

Tax Deductions vs. the Health Care Spending Account:

- You cannot be fully reimbursed for health care expenses from your account and claim those same expenses as tax deductions on your income tax return
- To deduct health care expenses on your tax return, generally your unreimbursed expenses for the calendar year must be more than 7.5% of your adjusted gross income
- If your out-of-pocket expenses are greater 7.5%, it is recommended to consult a qualified tax expert to determine which tax advantage is better

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Dependent Day Care Spending Accounts

Eligible Expenses:

- Must be for the well being and protection of an eligible dependent so that you (and your spouse, if married) can work
- Expenses must be for a qualifying individual
 - Under age 13 and claimed as a dependent on the federal income tax return
 - Any age if physically or mentally incapable of self-support and claimed as a dependent on the federal income tax return
 - A spouse, if physically or mentally incapable of self-support
- If divorced or legally separated, your child or stepchild may qualify if he or she lives with you for at least six months of the year
- Services can be provided in your home, in another's home, or in an approved dependent care center
- If the services are provided outside your home for a spouse or dependent who is physically or mentally incapable of self-support, your spouse or dependent must spend at least eight hours a day in your home
- Care provider can be a relative, but not if that person is also a dependent or child under age 19
- Costs for a housekeeper who also does some cooking and cleaning may be eligible if the major portions of services are provided for day care for a qualifying individual
- Fees for a day care center are eligible if the center meets all state and local laws, provides care for more than six persons, and is paid for the services it provides

Ineligible Expenses:

- Cost for any person caring for a dependent when you or your wife is not working, unless your spouse is not working due to being a full time student or is physically or mentally incapable of self support
- Transportation expenses
- Charges for a convalescent nursing home for a parent
- Education expenses for children at or above first grade or overnight camp expenses
- Costs for care that enables you or your spouse to do volunteer work

Federal Tax Credit:

- The Federal dependent care tax credit may provide a greater tax savings than the Dependent Day Care FSA
- Someone earning more than \$24,000.00 should generally find that the dependent day care spending account will provide a better tax treatment
- You should consult a professional tax advisor to confirm the most effective tax-savings solution

How to file a claim:

- You can file a claim during the Plan year and up to March 31 of the next year
- Attach an itemized bill showing:
 - »The name of the dependent
 - »The dates of service
 - »The person or organization providing the service
 - »The Social Security Number or Tax ID Number
 - »The expenses

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Situations Affecting Plan Benefits

- If a reimbursement claim form is not properly filled out
- Failure to provide the Company with your current address
- Failure to provide other necessary information
- If you decide not to deposit any Tax-free Dollars in your account, no reimbursement can be paid
- If, by March 31 following each Plan year, you haven't used all the dollars in your spending account, you forfeit the unused amounts
- If you have claims outstanding that you haven't submitted for reimbursement by March 31, those claims cannot be paid
- If you die while enrolled in the accounts, any reimbursements you would have been entitled to will be paid to your surviving spouse or beneficiary upon receipt of a completed claim
- If you are terminated or leave the Company for any other reason, deposits to the accounts end with your final paycheck
- You can continue to file for reimbursement of claims for eligible expenses

incurred prior to your exit until March 31, even though you are no longer employed by the Company