



FSA

Flexible Spending Account
Health and Dependent Care

HELPING YOU AVOID THE TAX BITE

ENROLLMENT BROCHURE

P.O. Box 7213, Madison, WI 53707-7213...



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Flexible Spending Account Highlights

Flexible Spending Accounts (FSAs) help save you taxes when paying for certain medical and dependent care expenses.

This brochure is designed to help you decide whether FSAs are right for you. After you've studied the available options described in the following pages, use the worksheets in this brochure to determine your level of participation. To actually enroll, fill out the Enrollment Form.

About FSAs

If you regularly have out-of-pocket expenses for medical and/or dependent care, then FSAs can save you money.

Here's how FSAs work:

- **You protect some of your income from taxes.** Money is deducted from your paycheck and put into your accounts *before* federal, state and Social Security taxes are calculated.
- **You incur expenses and are reimbursed.** During the plan year, you incur eligible expenses in medical and dependent care. You submit a claim for reimbursement and you are paid back out of your accounts.
- **You save money.** Because you are "paid back" out of an account that is never subject to taxes, *the bottom line is that you pay less taxes on your total earnings. In*

short, you save money that otherwise would have been eaten up in taxes!

You have the option of participating in one or both accounts. Let's take a look at the kinds of expenses that you can save money on by using this benefit.

Medical Account

Health care plans are designed to help pay for a wide range of extremely important services for you and your dependents. However, few health care plans cover absolutely everything. Your Medical Account is designed to help you pay for those expenses that aren't covered by health insurance.

What Are Eligible Expenses?

The federal government regulates FSAs and clearly defines what are and what aren't eligible expenses. IRS Publication 502, (available by calling 800.829.3676 or logging on to www.irs.gov/formspubs) helps to define eligible expenses. However, Publication 502 identifies expenses that are deductible on an individual's federal income tax return, which, in some cases, is different than the expenses reimbursable under the Medical Account.

In general, eligible expenses include deductibles and copayments; expenses not covered by your medical, dental or vision plan, and most things that qualify as a medical deduction under the Internal Revenue Code. Expenses must be incurred while you are enrolled in the plan.



Who is Eligible for the Medical Account?

All regular employees are eligible to participate and can file claims for themselves

and their spouse and dependents. You need to enroll during the Open Enrollment period or when you become eligible.

Examples of Health Care Expenses Eligible for Reimbursement as Part of the Medical Flexible Spending Account

* Most over-the-counter items require a prescription from a licensed practitioner. Some items require a Letter of Medical Necessity (LOMN) because they have both a medical purpose and a general health or cosmetic purpose. A more comprehensive list of eligible expenses is available at <https://MyBenefitsPortal.TASOnline.com>



- Acupuncture
- Alcohol and drug treatment
- Ambulance hire
- Artificial limbs
- Birth control pills
- Braille – books and magazines
- Car controls for the handicapped
- Chiropractors
- Christian Science practitioners’ fees
- Contact lenses and solutions
- Crutches
- Deductibles
- Dental fees (non-cosmetic)
- Dentures
- Diagnostic fees
- Eyeglasses, including examination fee
- Hearing devices
- Home improvements/modifications motivated by medical considerations (LOMN required)
- Hospital bills
- Infertility services
- Insulin
- Insurance copayments
- Laboratory fees
- Massage therapy (LOMN required)
- Midwife
- Naturopathic physicians
- Nursing home fees, not for custodial care
- Nursing services (LOMN required)
- Obstetrical expenses
- Orthodontia
- Orthopedic shoes (LOMN required)
- Over-the-counter medications (such as antacids, cold medicine, anti-fungal cream, Neosporin)*
- Over-the-counter supplies that have a purely medical purpose, such as Band-Aids
- Oxygen
- Physician fees
- Prenatal Vitamins *
- Prescription drugs and medical supplies
- Private institution/home cost for mentally or physically-handicapped
- Psychiatric care
- Psychologists’ fees
- Refractive eye surgery
- Seeing-eye dog and its upkeep
- Smoking cessation programs and supplies
- Sterilization fees
- Sunglasses, by prescription
- Surgical fees
- Telephone for deaf (LOMN required)
- Television audio display equipment for the deaf (LOMN required)
- Transplant/donor medical expenses
- Transportation expenses, primarily in the rendering of medical service
- Vaccination/immunizations
- Wheelchair
- Wigs (for hair loss due to disease)
- X-ray

EXPENSES MUST BE FOR TREATMENT OF A SPECIFIC MEDICAL CONDITION. DOCUMENTATION FROM YOUR HEALTH CARE PROVIDER MAY BE REQUIRED.

Examples of Health Care Expenses That In Most Cases Do Not Qualify for Reimbursement

- Services or items primarily for cosmetic reasons, defined as the primary purpose of enhancing the appearance
- Marriage or family counseling
- Over-the-counter items that would be used even in the absence of a medical condition (deodorants, toothpaste, bug repellent, sunscreen)
- Household and domestic help (even though recommended by a qualified physician due to an employee’s or dependent’s inability to perform physical housework)
- Cost for sending a problem child to a special school for anticipated benefits the child may receive from the course of study and the disciplinary methods used
- Any expense incurred in connection with an illegal operation or treatment
- Health club dues, YMCA dues, steam bath, etc.
- Social activities, such as dance lessons or classes (even if recommended by a qualified physician)
- Membership fees or costs associated with weight loss for purpose of general health and well being
- Medical insurance premiums
- Vitamins taken for general health purposes
- Automobile insurance premiums including the segment of premiums providing medical care for persons injured through accident by an employee’s car



- Vacations or travel taken for purposes of general health, a change in environment, improvements of morale, etc, or taken to relieve physical or mental discomfort not related to a particular disease or physical defect
- Transportation expenses to and from work, even through a physical condition may require special means of transportation

Dependent Care Account

More and more households are finding that they need some kind of dependent care. Two-income households with children, single-parent families, and households where there's a disabled or elderly dependent usually need dependent care services.

FSA's can help with this. By setting up a Dependent Care Account, you can save tax dollars on what you now pay for eligible dependent care expenses. To qualify, dependent care must be necessary in order for you to go to work, and if you are married, for your spouse to work. You are eligible if you are:

- A single parent; or
- Married and have a working spouse; or
- Married and your spouse is a full time student or is disabled and unable to care for himself or herself.

Who is Eligible for the Dependent Care Account?

All regular employees are eligible to participate. You need to enroll during the

Open Enrollment period or when you become eligible.

Important: The provider of dependent care needs to report the money you are paying him/her as income to the IRS. You must give the Tax ID number or Social Security number of the provider to receive reimbursement.

What Are Eligible Expenses?

Eligible expenses include:

- Daycare services inside your home (but not provided by your spouse or a person you claim as a dependent for taxes);
- Day care in a licensed day care center;
- Most care provided inside or outside your home to disabled spouse or dependent,;
- A portion of the cost for a housekeeper who cares for a qualified dependent;
- After school care;
- Day camp for summers and holidays.



Risks and Considerations

Participating in FSA's offers you a way to increase your net spendable income by avoiding taxes when you pay for eligible expenses. This is an attractive option if you have eligible out-of-pocket expenses.

Dependent care expenses must be incurred during the plan year. Medical FSA accounts can have a \$500 Carryover or a Grace Period, by plan design. Check with your employer to see if your plan offers either of these options.

- **\$500 Carryover:** Some plans allow for a carryover of up to \$500 in unused funds into the next plan year. Any unused funds over your employer's set carryover amount at the end of the year will be forfeited.
- **Grace Period:** Some plans allow for a 2 month, 15 day 'grace period' in which you are able to incur expenses for unused funds from the prior plan year. Any unused funds at the end of the grace period will be forfeited.

Under both options, you are still allowed to elect up to the maximum Medical FSA election amount each year. The Carryover does not reduce that amount.

The Plan Year is the 12-month period stated in your Plan Document as determined by your employer.

Also, if you are reimbursed for medical expenses through the FSA's, you cannot claim those same expenses as tax deductions. Similarly, if you are reimbursed for dependent care expenses through the FSA, you cannot claim the federal tax credit for those expenses. (This credit is a certain percentage of your day/dependent care expenses that can be claimed as a credit on your taxes.) You may want to consult a tax professional to find out what's right for you.

Your Social Security benefits may be reduced by participation in the FSA program and the maximum allowable contributions to many deferred compensation plans are based on your pay after salary reduction has been subtracted. See separate Social Security Benefit Table and Q&As for further information.

How the Accounts Work

You must decide on the annual amount you want to contribute. This brochure contains simple worksheets to help you do



IRS Publication 503 (available by calling 800.829.3966 or logging on to www.irs.gov/form-pub) lists eligible expenses.

To be reimbursed, expenses must be for:

- Children under age 13;
- Your spouse who is physically or mentally incapacitated and who resides with you for at least one-half of the year;

- Certain dependents who are physically or mentally incapacitated and who reside with you for at least one-half of the year.



this. The amount that you decide to contribute is deducted in equal amounts, before taxes, from each paycheck during the plan year.

There are maximum amounts you may contribute for each type of benefit under your plan. Contact your Benefits Representative or Human Resources Department for more information.

Following are examples of savings through participation in the FSA.

EXAMPLE 1 – MEDICAL FLEXIBLE SPENDING ACCOUNT

| FILING STATUS: UNMARRIED INDIVIDUAL/SINGLE | | |
|--|--|--|
| | With the Medical FSA Account (Before-Tax Dollars) | Without the Medical FSA Account (After-Tax Dollars) |
| Taxable Income | \$40,000 | \$40,000 |
| Your Account Contribution for Health Care Expenses | 1,000 | 0 |
| Your Reduced Taxable Income | 39,000 | 40,000 |
| Estimated Federal Taxes* | 5,786 | 6,036 |
| Take Home Pay | 33,214 | 33,964 |
| Take Home Pay Used for Health Care Expenses | 0 | 1,000 |
| Remaining Spendable | 33,214 | 32,964 |
| Increase In Spendable Income | \$250 | |

*State taxes would also be reduced in most state. However, only Federal taxes have been used for simplification. This is for illustrative purposes only. A tax advisor should be consulted for your specific income situation.

EXAMPLE 2 – DEPENDENT CARE SPENDING ACCOUNT

| FILING STATUS: MARRIED FILING JOINTLY WITH ONE CHILD | | |
|---|---|--|
| | With the Dependent Care FSA Account (Before-Tax Dollars) | Without the Dependent Care FSA Account (After-Tax Dollars) |
| Taxable Income | \$70,000 | \$70,000 |
| Your Account Contribution for Dependent Care Expenses | 5,000 | 0 |
| Your Reduced Taxable Income | 65,000 | 70,000 |
| Estimated Federal Taxes* | 8884 | 9634 |



| | | |
|--|-------|--------|
| Take Home Pay | 56116 | 60366 |
| Take Home Pay Used for Dependent Care Expenses | 0 | -5,000 |
| Plus Dependent Care Tax Credit | 0 | +600 |
| Remaining Spendable Income | 56116 | 55966 |
| Increase in Spendable Income | \$150 | |

*State taxes would also be reduced in most states. However, only Federal taxes have been used for simplification. This is for illustrative purposes only. A tax advisor should be consulted for your specific income situation.



Let's Get Started

1. Estimate your eligible expenses for the Medical and/or Dependent Care Account using the worksheets included with this FSA brochure.
2. After you've finished the worksheets, transfer the account totals to the appropriate areas on the Enrollment Form.
3. You do not have to enroll in the Medical or Dependent Care Accounts in order to participate in the medical plan.



Reimbursement Procedures

During the benefits period, you incur eligible expenses and then submit completed claim forms (online or on paper) along with appropriate supporting documentation for reimbursement from your account(s).

Examples of appropriate documentation are:

| Account | You Must Include |
|----------------|---|
| Medical | Itemized receipt from provider; Explanation of Benefits or letters of denial from your insurance carrier; correctly completed reimbursement form. |
| Dependent Care | Receipt from provider of services (in lieu of receipt, you can have provider of care sign the reimbursement claim form); the form must include provider's Tax ID Number of Social Security Number, date of services, amount of charges, and dependent's name. |

Claims and receipts received by Wednesday are reimbursed the following week on Friday.

Important Information You Must Know

- **Runout Period.** Your plan document stipulates the time period after the end of the benefits period or your termination date to submit reimbursement requests for eligible

expenses. Remember, the expense must be incurred during the benefits period.

- **No Transfers.** You cannot transfer money between accounts. Dollars you designate for medical care can be spent only for medical care, and the dollars set aside for dependent care can be spent only on dependent care.
- **Making Changes.** You can change the amounts you've decided to contribute only during the annual Open Enrollment, or if you experience an event that allows an election change as provided in the tax code and your employer's plan. Examples include (but are not limited to):
 - Your marriage or divorce;
 - Death of a dependent family member;
 - Birth or adoption of a child;
 - Your spouse's beginning or terminating employment
- **Immediate Availability of Medical Election.** The entire amount of your annual election for the Medical FSA is available to you on the first day of your plan year.

Questions?

- **Contact TASC:**
Toll-Free 866-678-8322
- **See your Human Resources Representative**



FSA – Medical Account Worksheet

The following worksheet will help you estimate what your eligible health care expenses are likely to be for the plan year. To decide what your Medical Account deposit should be, you'll need to estimate your eligible costs based on the actual expenses you had last year. Consult your personal records and look at receipts to estimate these expenses. If you have no such previous expenses, estimate them based on the categories listed below.

| Anticipated Expenses | Column I | Column II |
|---|--|---|
| List the amount you spent or expect to spend for: | Your Previous Expenses (From Your Records) | Upcoming Plan Year Anticipated Expenses |
| 1. Medical expenses not covered by your health plan: | | |
| Deductibles | \$ | \$ |
| Copayments | \$ | \$ |
| Coinsurance (your share of medical expenses not covered by insurance) | \$ | \$ |
| Other likely expenses (such as chiropractic, prescription drugs, therapy) | \$ | \$ |
| 2. Dental and vision expenses not covered by those plans: | | |
| Deductibles | \$ | \$ |
| Copayments | \$ | \$ |
| Coinsurance (your share of dental expenses not covered by insurance) | \$ | \$ |
| Other likely expenses (such as eye-glasses, non-cosmetic orthodontia) | \$ | \$ |
| Column I and II Totals | \$ | \$ |
| PLAN YEAR TOTAL* | | |



The amount you elect to deposit to your Medical Account will be deducted from your pay in equal installments each pay period.

*There is a minimum and a maximum for the plan year. See your Enrollment Form for those figures.

The amount you elect to deposit to your Dependent Care Account will be deducted from your pay in equal installments each pay period.

*There is a minimum and a maximum for the plan year. See your Benefits Representative or Human Resources Department for those figures.

FSAs — Dependent Care Account Worksheet Part I

The following worksheet will help you estimate what your eligible dependent care expenses are likely to be for the plan year. To decide what your Dependent Care Account deposit should be, you'll need to estimate your eligible costs based on the actual expenses you had last year. Consult your personal records and look at receipts to estimate these expenses. If you have no such previous expenses, estimate them based on the categories listed below.

| Anticipated Expenses | Column I | Column II |
|---|--|---|
| List the amount you expect to spend for: | Your Previous Expenses (From Your Records) | Upcoming Plan Year Anticipated Expenses |
| Day Care Center | \$ | \$ |
| Nursery School (not school for kindergarten or above) | \$ | \$ |
| After-School Care | \$ | \$ |
| Day Camp (Summer and Holidays) | \$ | \$ |
| Care for Qualifying Adult | \$ | \$ |
| Column I and II Totals | \$ | \$ |
| PLAN YEAR TOTAL* | | \$ |



Part II

An alternative to the Dependent Care Account is the dependent care tax credit. This credit can be taken when you file your taxes and is based on a percentage of your dependent care expenses (the percentage is tied to your adjusted gross income). This page will help you decide which alternative is best for you.

Instructions

- List your (and your spouse's) total taxable income.
- List the amount that you would need to set aside (before-tax) for dependent care assistance in column B only for the plan year period (use plan year total from Part I of the Dependent Care Account Worksheet).
- Subtract the pre-tax dependent care amount (line 2) from the taxable income (line 1) to find your adjusted taxable income when using your Dependent Care Account.
- Figure the federal, Social Security and state taxes, (Refer to your most recent tax return for approximate tax rate.)
- Subtract your line 4 net federal, Social Security and state taxes you would pay (based on last year's tax tables and Social Security tax rate) from line 3.
- Enter your after-tax dependent care expenses (use the same estimated expenses amount you used for line 2).
- Subtract your after-tax dependent care expenses (line 6) from your take-home pay (line 5) and that will give you your spendable income. In Column B, your spendable income is the same as your take-home pay.
- Figure your federal income tax credit. The credit is a percentage of your child care expenses, not to exceed \$3,000 for one child or \$6,000 for two or more that you are allowed as a credit against your taxes due. Refer to the chart below to see what percentage you may claim, based on your salary. The percentage remains the same regardless of whether you are claiming one or two or more dependents.

Dependent Care Tax Credit. The percentage you may take varies according to your adjusted gross income.

Dependent Care Credit

| Over | Adjusted Gross Income But Not Over | % | One Child \$3,000 | Two or More Children \$6,000 |
|--------|------------------------------------|-----|-------------------|------------------------------|
| 0 | 15,000 | 35% | 1,050 | 2,100 |
| 15,000 | 17,000 | 34% | 1,020 | 2,040 |
| 17,000 | 19,000 | 33% | 990 | 1,980 |
| 19,000 | 21,000 | 32% | 960 | 1,920 |
| 21,000 | 23,000 | 31% | 930 | 1,860 |
| 23,000 | 25,000 | 30% | 900 | 1,800 |
| 25,000 | 27,000 | 29% | 870 | 1,740 |
| 27,000 | 29,000 | 28% | 840 | 1,680 |
| 29,000 | 31,000 | 27% | 810 | 1,620 |
| 31,000 | 33,000 | 26% | 780 | 1,560 |
| 33,000 | 35,000 | 25% | 750 | 1,500 |
| 35,000 | 37,000 | 24% | 720 | 1,440 |
| 37,000 | 39,000 | 23% | 690 | 1,380 |
| 39,000 | 41,000 | 22% | 660 | 1,320 |
| 41,000 | 43,000 | 21% | 630 | 1,260 |
| 43,000 | No Limit | 20% | 600 | 1,200 |

- Figure your Spendable Income by adding your federal dependent care tax credit (line 8) to line 7.
- Figure the difference between column totals to see which method gives you the most Spendable Income.

| | A Federal Tax Credit | B Dependent Care Account |
|--|----------------------|--------------------------|
| 1. Taxable Income | | |
| 2. Pre-tax Dependent Care Expenses for the Plan Year (use Plan Year Total from the Dependent Care Account Worksheet, Part I) | \$0 | \$ |
| 3. Adjusted Taxable Income | \$ | \$ |
| 4. Federal/Social Security/State Taxes | \$ | \$ |
| 5. Take-Home Pay | \$ | \$ |
| 6. After-Tax Dependent Care Expenses for the Plan Year | \$ | \$0 |



| | Federal Tax Credit | Dependent Care Account |
|---|--------------------|------------------------|
| 7. Your Spendable Income (Less After-Tax Dependent Care Expenses) | \$ | \$ |
| 8. Tax Credit (___% of _____) | \$ | \$0 |
| 9. Spendable Income | \$ | \$ |
| 10. Additional Spendable Income or Tax Savings | \$ | \$ |

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About This Brochure

Information in this Brochure offers highlights of your benefits. The Official Plan Documents actually govern your rights and benefits under each plan. If any discrepancy exists between this Brochure and the Plan Documents, the Plan Documents will prevail.

