

INSURANCE ADMINISTRATOR



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What is a Flexible Spending Account (FSA)?

An FSA is an account designed to let you set aside before tax-dollars to cover qualified expenses that you would normally pay out of your pocket with after tax-dollars. You pay no Federal or Social Security taxes on the money you deposit into these accounts. This means that you lower your taxable income and may subsequently lower your overall tax liability.

You may elect to participate in one or both of these FSAs:

- A Health Care Account pays eligible health related expenses for you and your family
- AND
- A Dependent Care Account to pay up to \$5,000 of expenses for the care of an eligible dependent so you can work. (\$5,000 if filing head of household or if you are married and file a joint return **OR** \$2,500 if you are married and file separate returns)

How to Set Up a Health Care or Dependent Care Account

Before the start of each year you need to estimate the amount you think you will spend out-of-pocket on eligible health care and/or dependent care expenses during that year. These are expenses that cannot be reimbursed through any other source, such as a company sponsored or personal health insurance plan. You then decide how much to deposit in each account. The amount you elect is reduced, tax-free, deducted in equal installments from your paycheck throughout the year.

Examples showing how much you can save by using an FSA are inside this folder. Completing the worksheet to follow will help you estimate how much to deposit in your FSA.

Health Care Account

Some examples of eligible expenses for you and anyone whom you claim as a dependent on your income tax return include:

- Co-payments for office visits and specialty care
- Annual medical and dental plan deductibles and coinsurance
- Co-pays for prescription drugs
- Out-of-pocket expenses for vision exams, eyeglasses, contact lenses and contact lens solution
- Hearing exams and hearing aids

Dependent Care Account

Eligible expenses are those you pay for the care of an eligible dependent that are necessary so that you and, if married, your spouse can work. Some examples of eligible expenses include:

- Babysitters
- Day care centers
- Pre-school or nursery school tuition
- Summer day camp

Eligible dependents include:

- A child under age 13, or
- Any dependent (including your spouse or parent), regardless of age, who lives with you and is physically or mentally incapable of self-care.

FSA Versus Federal Income Tax Credit

Expenses reimbursed through the Dependent Care FSA are the same kind that are allowed as federal tax deductions and credits. You can use either a Dependent Care FSA or the Federal Income Tax Credit to save taxes, but you cannot claim the same expenses for both. Generally speaking, families with a combined income of more than \$25,000, and/or dependent care expenses greater than \$3,000 benefit with the FSA. Families with a combined income of \$25,000 or less may benefit more from the tax credit. Be sure to consult a tax professional advisor for additional guidelines specific to your individual circumstance.

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How to Claim Reimbursement from Your FSAs

You must submit a Reimbursement Request form and a receipt for your expense to the claims administrator upon incurring an eligible expense.

The receipt must include:

- The name of the person cared for
- The service provider's name
- The service or treatment rendered
- The dates of actual service rendered
- The cost of the service provided on the dates actual expense was rendered
- Prescription drug receipts must show the actual drug name and person for whom the drug has been prescribed
- Over the counter medicine receipts must show the actual name and cost of the medicine

For **health care claims**, the receipt should include the type of illness or condition treated. For **dependent care claims**, the receipt should include the provider's Social Security or tax identification number.

You will be reimbursed for your account as follows:

- For **health care claims**, you will receive the full amount of your claim, up to the maximum amount you elected to deposit in your account for the year, less amounts already reimbursed to you.
- For **dependent care claims**, you will receive the full amount of your claim provided you have enough money in your account to cover the expense. If you do not have enough money in your account, you will receive partial payment for this claim. You will receive the balance for this claim when enough money has built up in your account.

You will not pay any Federal or Social Security taxes, either at the time that the money is deducted from your pay or when it is reimbursed to you.

To help you keep track of your FSA account(s), you will receive a statement each quarter showing your account activity and your account balance or you can visit our website at www.iaatpa.com for access 24/7.

Examples of some eligible health care expenses:

DENTAL SERVICES (some exclusions apply)

- Crowns/Bridges
- Dental X-rays
- Dentures
- Exams/Teeth Cleaning
- Extractions
- Fillings
- Gum Treatment
- Oral Surgery
- Orthodontia/Braces

INSURANCE RELATED ITEMS

- Copays, Coinsurance Amounts and Deductibles

LAB EXAMS/TESTS

- Blood Tests
- Cardiographs
- Diagnostic Tests
- Laboratory Fees
- Spinal Fluid Tests
- Urine/Stool Analyses
- X-Rays

MEDICATION

- Insulin
- Prescribed Birth Control
- Prescribed Drugs

OBSTETRIC SERVICES

- Mid-Wife Expenses
- OB/GYN Exams
- OB/GYN Maternity Fees (reimbursed after birth)
- Post-Natal Treatment
- Pre-Natal Treatment

PRACTITIONERS

- Allergist
- Chiropractor
- Christian Science
- Dermatologist
- Homeopath
- Naturopath
- Osteopath
- Physician
- Psychiatrist
- Psychologist

OTHER MEDICAL TREATMENTS/PROCEDURES

- Acupuncture
- Artificial limbs
- Blindness (special education aid to mitigate condition)
- Braille books & magazines (excess cost of regular editions)
- Capital expenditure (primary purpose medical care, some restrictions apply)
- Car equipped to accommodate wheelchair passengers
- Drug Addiction
- Hearing Exams
- Hospital care, inpatient
- Hospital Services

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More Examples of some eligible health care expenses:

OTHER MEDICAL TREATMENTS/PROCEDURES (Cont'd)

- Infertility
- Legal expenses-authorization of treatment for mental illness
- Lip reading expenses for deaf
- Notetaker for deaf students
- Nurse's aide, medical reasons
- Nursing Home, Medical care only
- Operation, legal
- Orthopedic shoes, excess cost
- Oxygen equipment, breathing difficulty
- Patterning exercises, handicapped child
- Physical Therapy (with diagnosis of medical condition)
- Psychiatric care
- Reclining chair for cardiac patients
- Remedial reading
- Sanitarium rest home (cost of medical care only)
- Schools, special, relief of handicapped
- Smoking cessation programs
- Speech Therapy (with diagnosis of medical condition)
- Sterilization
- Transplants
- Vaccinations/Immunizations
- Weight reduction programs (with diagnosis of medical condition, excludes supplemental foods and exercise/gym memberships)
- Wigs prescribed by doctor

OTHER MEDICAL EQUIPMENT, SUPPLIES and SERVICES

- Ambulance Services
- Guide Dog (for visually/hearing impaired person)
- Hearing Aids & Batteries
- Medic Alert Bracelet or Necklace
- Oxygen Equipment (medically necessary)
- Prosthesis
- Splints/Casts/Crutches (with doctor's prescription)
- Transportation Expenses (tolls, parking, mileage) essential to medical care
- Wheelchair

VISION SERVICES

- Artificial Eyes
- Contact Lens, Contact Lens Solutions
- Eye Exams
- Eyeglasses
- Laser Eye Surgery
- Ophthalmologist
- Optometrist
- Prescribed Sunglasses
- Radial Keratotomy/Lasik

Examples of some non-eligible health care expenses:

- Any illegal treatment
- Canceled appointment fees
- COBRA Premiums
- Contact Lens and Eyeglass Insurance
- Cosmetic procedures, services and surgery
- Cost of remedial reading for non-handicapped children
- Dancing or ballet, even when recommended by a doctor
- Diaper service
- Electrolysis
- Exercise Equipment
- Fee for exercise, athletic or Health club membership
- Fitness Programs
- Funeral expenses
- Hair Loss medications
- Hair Transplants
- Health Club Dues
- Insurance Premiums
- Long Term Care insurance
- Marriage counseling
- Maternity clothes
- Nutritional Supplements
- Supplemental Food products
- Teeth Whitening/Bleaching
- Vitamins for general well being

Examples of some eligible dependent care expenses:

- Babysitters or caregivers in your home or someone else's home (Proper documentation required)
- Child or adult day care centers
- Pre-school or nursery school tuition
- Full-time, live in or part-time housekeeper to care for your eligible dependent
- Taxes you pay on behalf of your caregiver
- After-school care
- Summer day camp

Examples of some non-eligible dependent care expenses:

- Dependent care expenses that are provided to one of your dependents by a family member, unless the family member is age 19 or over by the end of the plan year and will not be claimed as a dependent.
- Expenses for food and clothing
- Education expenses from kindergarten through 12th grade and above
- Health care expenses for your dependents
- Late Fees
- Overnight camp
- Dependent care expenses which you claim as a tax credit on your federal income tax return
- Nursing home or custodial care expenses
- Housekeeping expenses not related to the care of your dependent



Examples of some Over-the-counter medications that qualify for reimbursement from your Health Flexible Spending Account:

COLD, FLU AND ALLERGY MEDICATIONS

- Allergy medications
- Cold relief syrup
- Cold relief tablets or capsules
- Cough syrup
- Flu relief tablets, capsules or liquids
- Medicated chest rub
- Nasal decongestant inhaler
- Nasal decongestant sprays or drops
- Sinus & Allergy homeopathic nasal spray
- Sinus medications
- Vapor patch cough suppressant

PAIN RELIEF

- Arthritis pain relief
- Bunion and blister treatments
- Itch relief
- Orajel
- Pain relievers, aspirin and non-aspirin
- Throat pain medications

DIABETES

- Diabetic lancets
- Diabetic supplies
- Diabetic test strips
- Diabetic meters

HEALTH AIDS

- Antifungal treatments
- Contact Lens Solution
- Denture adhesives
- Hemorrhoid relief
- Lice control
- Motion sickness tablets

STOMACH CARE

- Acid reducers
- Antacid gum, liquid, tablets
- Anti-diarrhea medications
- Gas prevention drops for infants
- Ipecac syrup
- Laxatives
- Pinworm treatment
- Prilosec
- Upset stomach medications

THE FOLLOWING MEDICATIONS MAY QUALIFY FOR REIMBURSEMENT IF A DOCTOR'S LETTER IS SUBMITTED.

- Herbs
- Minerals
- Saline nose drops
- Leg or arm braces
- Nasal strips for snoring or cold use
- Vitamins

Examples of some over-the-counter medications that do not qualify for reimbursement:

- Baby Oil and Baby Wipes
- Chapstick
- Cosmetics
- Dental floss
- Deodorants
- Feminine Hygiene care products
- Hair re-growth
- Facial care
- Nutritional Supplements
- Medicated Shampoos / Soaps
- Moisturizers
- Oral Care
- Shampoo & Conditioner
- Skin care
- Suntan Lotion
- Supplements (Food and Mineral)
- Toiletries
- Tooth Brushes
- Tooth paste
- Vitamins



IRS Rules

In exchange for tax advantages of FSAs, the IRS imposes the following restrictions:

- **Use it or lose it** - amounts left in your account at the end of the year are forfeited. They cannot be returned to you or carried over to the next year unless your plan has adopted the 2 and a 1/2 month grace period.
- **No transfers** - you cannot use money from your health care account to pay dependent care expenses, or vice versa.
- **No changes** - once you enroll you may not stop or change your contributions during the year unless you have a change in status.

So, it is important to plan carefully when deciding how much to contribute to these accounts. You can submit claims for expenses incurred during the plan year within 90 days after the close of the plan year.

Expenses are incurred when the participant is provided with medical care or dependent care that gives rise to the medical or dependent care expense, and not when the participant is formally billed, charged for or pays for the medical or dependent care.

Examples of How Flexible Spending Accounts Can Benefit You:

A working couple raising children

David and his wife, Vicki, both work outside the home and have a combined annual income of \$65,000. They have two small children who are both in day care. They decided to deposit \$1,200 in their Health Care Account to pay plan deductibles and copayments they estimate they will spend during the year. They also decide to deposit \$4,800 in their Dependent Care Account to help pay the children’s day care expenses. Here’s how much they can save by using the Flexible Spending Accounts.

Expense	With FSAs (Before Taxes)	Without FSAs (After Taxes)
Gross Annual Pay	\$65,000	\$65,000
Deposits to Health Care FSA	\$1,200	\$0
Deposits to Dependent Care FSA	\$4,800	\$0
Adjusted Gross Income	\$59,000	\$65,000
Federal Income Taxes*	\$6,124	\$7,515
Social Security Taxes*	\$4,514	\$4,973
After-tax Health Care Expenses	\$0	\$1,200
After-tax Dependent Care Expenses		\$4,800
Net Spendable Income	\$48,362	\$46,512
Annual Tax Savings		\$1,850

The taxes in this example are based on estimated taxes for a married couple filing jointly with four exemptions. State and local taxes have not been considered because they may be the same with or without FSAs.

A single employee

Tony, recently out of college, earns \$25,000 a year. Tony “never gets sick” but decided to deposit \$500 into a Health Care FSA to pay for the deductible under the Medical Plan and for a new pair of eyeglasses. Here’s how much Tony can save using a Health Care FSA

Expense	With FSAs (Before Taxes)	Without FSAs (After Taxes)
Gross Annual Pay	\$25,000	\$25,000
Deposits to Health Care FSA	\$500	\$0
Adjusted Gross Income	\$24,500	\$25,000
Federal Income Taxes*	\$2,621	\$2,696
Social Security Taxes*	\$1,875	\$1,913
After-tax Health Care Expenses	\$0	\$500
Net Spendable Income	\$20,004	\$19,891
Annual Tax Savings		\$113

The taxes in this example are based on estimated taxes for a single person taking the standard deductions. State and local taxes have not been considered because they may be the same with or without FSAs.

A single parent

Diane is a single parent and has one child who attends day care. She earns \$35,000 a year. Diane decides to deposit \$600 into a Health Care FSA to cover her estimated health care expenses and \$900 into a Dependent Care FSA to cover her dependent care expenses. Here’s how much Diane can save by using an FSA.

Expense	With FSAs (Before Taxes)	Without FSAs (After Taxes)
Gross Annual Pay	\$35,000	\$35,000
Deposits to Health Care FSA	\$600	\$0
Deposits to Dependent Care FSA	\$900	\$0
Adjusted Gross Income	\$33,500	\$35,000
Federal Income Taxes*	\$3,251	\$3,476
Social Security Taxes*	\$2,563	\$2,678
After-tax Health Care Expenses	\$0	\$600
After-tax Dependent Care Expenses	\$0	\$900
Net Spendable Income	\$27,686	\$27,346
Annual Tax Savings		\$340

The taxes in this example are based on estimated taxes for a single parent filing head of household, with two exemptions. State and local taxes have not been considered because they may be the same with or without FSAs.

For a more complete list of health care and dependent care expenses that can be reimbursed through your FSA, you may contact the IRS at www.irs.gov/forms_pubs/index.html for publications 502 and 503.

Note: Reimbursement under a health care FSA must be for medical care as defined in Code 213(d). Most, but not all, of the Code 213(d) rules are incorporated by reference into the rules governing health FSAs. There are two important differences. First, under a health care FSA, expenses can only be reimbursed in the year in which they are incurred, while an expense is deductible by a taxpayer for the year in which the expense was paid. Second, insurance premiums are not reimbursable under a health care FSA.



Flexible Spending Account Work Sheet

Estimated Dependent Care Expenses
(Required for you and your spouse to work)

Childcare/babysitting service	\$ _____
Pre-School Tuition	\$ _____
After-School Care	\$ _____
Other Dependent Care Expenses	\$ _____
TOTAL ANNUAL DEPENDENT CARE EXPENSES	\$ _____

Estimated Health Care Expenses

Estimated This Year

MEDICAL

Doctors Office Visits/Copays	\$ _____
Chiropractic Care	\$ _____
Physicals	\$ _____
Prescription Drugs	\$ _____
Laser Eye Surgery	\$ _____
Insulin	\$ _____
Flu shots	\$ _____
Deductibles	\$ _____
Other	\$ _____

DENTAL

Fillings	\$ _____
Bridges	\$ _____
Crowns	\$ _____
Dentures	\$ _____
Orthodontia	\$ _____
Exams	\$ _____

VISION

Exams	\$ _____
Lenses	\$ _____
Frames	\$ _____
Contact Lenses	\$ _____

HEARING

Exams	\$ _____
Hearing aid	\$ _____

TOTAL ANNUAL HEALTH CARE EXPENSES	\$ _____
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