



## Tax-Favored Accounts

# Keep You in the Green

### How Flexible is Your Dollar?

*Enroll now in your  
company offered  
Flexible Spending  
Account and see  
how far you can  
stretch your  
money*



# A strategy that works for everyone

*Every one of us would like to have more money in our pocket. Participating in your company-sponsored Flexible Spending Account can do just that!*

You ask your employer to set aside **money** — on a before-tax basis — that can be used to **reimburse** you for **expenses** you have to pay anyway. By taking advantage of your company's **Flexible Spending Account**, you actually have Uncle Sam help you pay part of certain unreimbursed expenses. The rules permit several basic categories of expenses to be reimbursed by a **Flexible Spending Account**. These categories are outlined in the right-hand column. Your company's plan may include one or two of these categories — or it may include all.

## What types of FSAs are available?

### **Premium Conversion**

You may have a Premium Conversion Account that pays your medical, dental and vision plan contributions automatically on a before-tax basis. The monies withheld from your paycheck are used to pay the monthly premiums for these important employee benefits. The benefits you enjoy are two-fold: you are covered by the medical, dental and/or vision plan and you receive a tax break.

### **Health Care Reimbursement**

You can use a Health Care Reimbursement Account to pay for qualified, medically necessary medical, dental or optical expenses that are not covered by any of your insurance plans. You can see a partial list of eligible expenses in the frequently asked questions section of this brochure. Either you or your eligible dependents can incur these medical expenses.

### **Dependent Care Reimbursement**

You can set aside up to \$5,000 annually to offset daycare expenses for your eligible children or elderly dependents. (Note: You may set aside up to \$2,500 if you are married and file a separate federal income tax return.) Daycare expenses are defined as those that are necessary in order for you (and your spouse, if you're married) to continue working.

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The following Flexible Spending Reimbursement Worksheets will help you estimate your annual flex spending health care and dependent care expenses. Please estimate conservatively and accurately because any monies left in your account may be forfeited under the "Use It Or Lose It" rule.

[www.benXcel.com](http://www.benXcel.com)

**HEALTH CARE REIMBURSEMENT ACCOUNT WORKSHEET\***

Estimate the annual amount of uninsured expenses in the plan year for the following:

Deductibles (medical, dental and vision)	\$ _____
Co-Payments (medical, dental and vision)	\$ _____
Routine Physical Exams Not Covered by Insurance	\$ _____
Dental and Orthodontia	\$ _____
Vision Care	\$ _____
Well-Baby Care	\$ _____
Prescribed Over-the-Counter (OTC) Drugs/Medicines	\$ _____
Prescription Drugs (birth control included)	\$ _____
Other Allowable Expenses (see list)	\$ _____
<b>TOTAL</b>	\$ _____
<b>DIVIDE</b> by the number of paychecks you will receive during the plan year & round to the nearest whole dollar.*	\$ _____
<b>This is your per pay period contribution.</b>	\$ <input type="text"/>

**DEPENDENT CARE REIMBURSEMENT ACCOUNT WORKSHEET**

Estimate your eligible dependent care annual expenses for the plan year. Remember that your calculated amount cannot exceed the calendar year limits established by the IRS.

<b>CHILD CARE EXPENSES</b>	
Day Care Services	\$ _____
In-Home Care/Au Pair Services	\$ _____
Nursery and Preschool	\$ _____
After School Care	\$ _____
Summer Day Camps	\$ _____
<b>ELDER CARE EXPENSES</b>	
Day Care Center	\$ _____
In-Home Care	\$ _____
<b>TOTAL</b>	\$ _____
<b>DIVIDE</b> by the number of paychecks you will receive during the plan year & round to the nearest whole dollar.*	\$ _____
<b>This is your per pay period contribution.</b>	\$ <input type="text"/>

\* If you are a new employee enrolling after the plan year begins, divide by the number of pay periods remaining in the plan year.

# FREQUENTLY ASKED QUESTIONS

## How do I know what is considered an eligible health care expense?

The Internal Revenue Service produces a publication that helps to explain eligible expenses. Your HR Department or your tax advisor may have Publication #502<sup>1</sup> available for your review — or you can visit BCC's website for a list of eligible expenses. Below is a partial list of expenses that qualify for reimbursement:

- Acupuncture
- Diagnostic services
- Routine physical exams
- Alcohol/drug abuse treatment
- Durable medical equipment
- Seeing-eye dog
- Artificial limbs
- Eye glasses, exams, prescription sunglasses
- Smoking cessation program
- Birth control pills
- Hearing aid devices and batteries
- Sterilization fees or surgery to reverse sterilization
- Care/tuition for handicapped child
- Hospital services
- Special communication equipment for hearing impaired
- Chiropractors
- Immunizations, vaccines
- Transportation expenses related to medical care
- Coinsurance amounts paid
- Insulin
- Transplants
- Contact lenses/solutions and cleaners
- Infertility treatments
- Viagra, if medically necessary
- Deductibles or co-payments
- Orthodontic treatment, appliances
- Vision correction (e.g. Lasik surgery)
- Non-cosmetic dental treatments
- Prescription medicines
- Dentures
- Psychiatric care
- Prescribed over-the-counter (OTC) drugs/medicines

## What health care expenses do NOT qualify for reimbursement?

Here is a partial list of ineligible expenses:

- Insurance premiums
- Elective cosmetic surgery
- Expenses reimbursed by another insurance or FSA
- Expenses not qualified by the IRS
- Expenses claimed as deductions or credits on your federal tax return
- Expenses incurred before you were a participant in the FSA plan
- Expense incurred when you are no longer a participant in the FSA plan
- Amounts above the maximum plan limits for medical reimbursement

## How do I know what is considered an eligible dependent care expense?

The definition of “dependent” is governed by the IRS code. Currently, a qualified dependent includes:

- Your dependent under age 13 when the care was provided and for whom you can claim an exemption; or
- Your spouse who was physically or mentally unable to care for him/herself.
- For further clarification on elder care as a qualified expense consult your tax advisor.

## What dependent care expenses do NOT qualify for reimbursement?

Following is a partial list of ineligible expenses:

- Food
- Clothing
- Education - expenses to attend kindergarten or higher are not eligible expenses
- Entertainment

## Who is considered my “dependent” for dependent care reimbursement under the Flexible Spending Plan?

Briefly, to be work related, your expenses must be to provide care for your qualified dependent. Expenses are for the care of a qualified person only if their main purpose is the person's well being and protection.

The Internal Revenue Service produces a publication that helps to explain what dependent care expenses are eligible for reimbursement. Your HR Department or your tax advisor may have Publication #503 available for your review - or you can obtain a copy on the IRS website ([www.irs.gov](http://www.irs.gov)).



## Rules To Remember

- You can elect to participate in the Flexible Spending Account each year - and you must sign up each year. Enrollment does not automatically carry forward from one plan year to the next. Once you have begun to contribute, you can change your election ONLY if you have a change in family status, as defined by the Internal Revenue Service. A family status change includes marriage, divorce, birth or adoption of a child or the death of a dependent.
- Because you are actually affecting your taxable income, the IRS regulations very clearly define rules for taking advantage of this benefit. You must keep these rules in mind when you are planning your contributions and actually using the Flexible Spending Accounts.
- Flexible Spending Accounts are governed by the “use it or lose it” rule. The IRS regulations state that you must forfeit any contributions you do not use for eligible expenses incurred within the current plan year. Because of this rule, we caution you to estimate your expenses conservatively.
- If you participate in more than one Flexible Spending Account category, you can receive reimbursement only from the account (or category) for which the contribution was designated. In other words, if you set aside money in both Health Care and Dependent Care Accounts, you cannot be reimbursed for a dependent care expense from your Health Care Flexible Spending Account.
- Be aware that when you reduce your taxable income, you are also reducing your Social Security contributions. This reduction of Social Security (FICA) contributions may affect future retirement or disability benefits.

<sup>1</sup> Rules that govern Section 125 plans may take precedence over Publication #502.

## ***OK, I've made contributions to the Flexible Spending Plan and I have a claim. Now, how do I get reimbursed?***

Getting reimbursed for eligible expenses is as easy as A-B-C.

- A. Complete BCC's Employee Spending Account Request for Reimbursement. Download the form by visiting: [www.benXcel.com](http://www.benXcel.com).
- B. Attach the required back-up documents.
- (1) For Health Care Reimbursement: attach an Explanation of Benefits statement from your insurance carrier plus an itemized receipt from the provider.
- You must submit medical charges to your health care, dental or vision insurance carrier before you can request a reimbursement from a Flexible Spending Account Plan. The insurance carrier will process the claim and issue an Explanation of Benefits that shows how much is paid under the terms of your plan - and how much is your responsibility.
  - By law, BCC cannot accept a credit card receipt or a cancelled check in lieu of the itemized receipt from your doctor, lab, pharmacy, etc.
- (2) For Dependent Care Reimbursement: attach a signed receipt from the daycare provider that includes:
- the dates services were rendered.
  - the provider's Social Security or tax ID number.
  - the provider's address.
- C. BCC processes your claim and issues a check that is mailed to your home address. Your plan may also offer a direct deposit option.

## ***How long will it take to receive my reimbursement?***

Processing time varies according to the procedures established by your specific plan. Generally, a correctly completed request is paid within 2-4 weeks.

## **Where do I send my Flexible Spending Account claims?**

Your completed Request for Reimbursement form and the appropriate back-up documents can be sent to Benefit Coordinators Corporation by:

Downloading the claims to our secure site:  
<http://secure.benxcel.com>

or

Faxing the claims to:  
412-276-7185

Remember to visit [www.benXcel.com](http://www.benXcel.com) for more information about Flexible Spending Accounts or to download a reimbursement form.

## ***My company sponsors our Flexible Spending Account. How does BCC fit into the picture?***

BCC (Benefit Coordinators Corporation) is the administrator of your Flexible Spending Account. BCC coordinates with your Human Resources Department to assist with ongoing FSA reimbursements, supplies, claim forms and answers to FSA-related questions. If you have questions about your Flexible Spending Account or a specific claim, call our toll-free number 1-800-685-6100.

**Benefit Coordinators Corporation (BCC)**



# Find out if Flexible Spending is Right for You

*Flexible Spending Accounts offer employees a unique way to pay for certain necessary expenses with tax-free dollars. These examples help illustrate how you might see more money in your pocket by participating in the Flexible Spending Account.*



## SINGLE PARENT

Christy is a divorced parent raising two children alone with an annual income of \$30,000. She uses her **Premium Conversion Account** to pay her monthly premium contributions for their group medical and dental plans. She also uses the **Health Care Reimbursement Account** to receive reimbursement of their annual medical and dental deductibles. In addition, Christy uses her **Dependent Care Reimbursement Account** to pay for daycare expenses on a pre-tax basis. As seen in the chart below, Christy's spendable income is increased by \$158.99 per month, simply by enrolling in her employer's **Flexible Spending Account**.



## DUAL INCOME HOUSEHOLD

Paul and Jenny are both employed and have two children. Their combined annual income is \$76,000. They also decide to use Jenny's **Premium Conversion Account** to help pay the premium contributions for their dependent medical coverage. The **Dependent Care Reimbursement Account** helps with their daycare expenses. Since one of their children is in braces, they also use the **Health Care Reimbursement Account** to help pay orthodontic expenses, which are not covered by their dental plan. By participating in the **Flexible Spending Account**, Paul and Jenny increase their spendable income by \$266.82 each month.



## FULL FAMILY

Mike, 57, and his wife Linda have two grown children who no longer live with them. Mike's annual salary is \$98,000 and he uses the **Premium Conversion Account** to pay for his monthly premium contributions for health care coverage for himself and his wife. He also uses the **Health Care Reimbursement Account** to cover their annual medical and dental deductibles. By using the accounts, his monthly savings equals \$128.01 as illustrated below.

ON THE CHART BELOW ASSUMPTIONS: Single parent's estimated federal tax 15% and state tax 5%; dual income's estimated federal tax 25% and state tax 5%; full family's estimated federal tax 25% and state tax 5%. Note: Payroll calculations are for illustrative purposes only and normally vary by state and local taxing entities.

<http://benXcel.com/fsa.php>

Pay Per Month	\$2,500		\$6,334		\$8,167	
<b>Less Non-Taxable Benefits</b>	<b>without</b>	<b>with flex</b>	<b>without</b>	<b>with flex</b>	<b>without</b>	<b>with flex</b>
Medical Premiums	—	\$115.00	—	\$185.00	—	\$140.00
Medical/Dental Expenses	—	\$60.00	—	\$125.00	—	\$200.00
Dependent Care Expenses	—	\$400.00	—	\$400.00	N/A	N/A
<b>Total Pay Subject to Tax</b>	<b>\$2,500.00</b>	<b>\$1,925.00</b>	<b>\$6,334.00</b>	<b>\$5,624.00</b>	<b>\$8,167.00</b>	<b>\$7,827.00</b>
<b>Less Tax Deductions</b>						
Federal & State	\$500.00	\$385.00	\$1,900.20	\$1,687.20	\$2,450.10	\$2,348.10
FICA	\$191.25	\$147.26	\$484.06	\$430.24	\$624.78	\$598.77
After Income Tax	\$1,808.75	\$1,392.74	\$3,949.74	\$3,506.56	\$5,092.12	\$4,880.13
<b>After Tax Expenses</b>						
Medical Premiums	\$115.00	—	\$185.00	—	\$140.00	—
Medical/Dental Expenses	\$60.00	—	\$125.00	—	\$200.00	—
Dependent Care Expenses	\$400.00	—	\$400.00	—	N/A	N/A
<b>Spendable Income</b>	<b>\$1,233.75</b>	<b>\$1,392.74</b>	<b>\$3,239.74</b>	<b>\$3,506.56</b>	<b>\$4,752.12</b>	<b>\$4,880.13</b>
<b>Increased Spendable Monthly Income</b>		<b>\$158.99</b>		<b>\$266.82</b>		<b>\$128.01</b>