

# Flexible Spending Accounts & How They Work

## How to Save Money Without Spending a Dime

Enroll now if you & your family members are spending money on:

- Eyeglasses
- Contact lenses and supplies
- Daycare
- Physician services
- Prescription co pays insurance deductibles
- Dental services
- Orthodontia

With flexible spending accounts, we can show you how to pay for these and other eligible expenses with pre-tax dollars and increase your take home pay.

Join Consociate • Dansig's flexible spending accounts offered through your employer. Your Consociate • Dansig account is available to you 24 hours a day.

Our on-line participant services make it easy for you access your Flex information. [www.consociatedansig.com](http://www.consociatedansig.com)

- Get your account balance, claims & reimbursements (instructions provided for initial log-in)
- Download claim forms
- Look up lists of eligible expenses
- Download your Summary Plan Description, IRS forms & publications

### What is my marginal tax rate?

Total Family Income: Line 1  
 Less (# of family members x \$3,000) Line 2  
 Less Standard Deduction  
 (\$4,500 Single/\$7,600 Married) Line 3  
 Federal Taxable Income Line 4  
 Federal Tax Rate (from table below) % Line 5  
 Other Taxes \$12.65 % Line 6  
 Marginal Tax Bracket (line 5+6) % Line 7

### Federal Tax Rates

Taxable Income Single	
0-\$27,050	15.00%
\$27,050-\$65,550	27.50%
\$65,550-\$136,750	30.50%

Married	
0-\$45,200	15.00%
\$45,200-\$109,250	27.50%
\$109,250-\$166,500	30.50%

Other Taxes (estimate)	
State Tax Rate	5.00%
Medicare	1.45%
Old Age Survivors & Disability	6.20%
<b>Total Other Taxes 12.65%</b>	

## How Flex Spending Accounts Work

1. Each year during your employer's Open Enrollment period, determine how much money you wish to contribute based on your estimates of health and/or dependent care expenses for the upcoming plan year.
2. Each pay period, money will be deducted on a pre-tax basis in equal increments and contributed to your health and/or dependent care spending accounts.
3. When you have eligible expenses to be reimbursed, complete the claim form and fax or mail it with appropriate receipts to Consociate • Dansig.
4. You will then be reimbursed for eligible expenses up to the maximum you elected for the healthcare spending account for the plan year. You will only be reimbursed up to your account balance for the dependent care account.
5. Log on to your personal account [www.consociatedansig.com](http://www.consociatedansig.com) for further information. This plan is a great way for you and your family to save money by reducing your taxable income. By enrolling in one or both of these accounts, you can pay for eligible, uninsured health and dependent care expenses with pre-tax dollars.

## NEW Over-the-Counter Medicines Healthcare Spending Account

This account will reimburse you with pre-tax dollars for healthcare expenses not reimbursed under your family's healthcare plan(s). The maximum amount you may contribute to this account for the plan year will be provided by your employer.

### How it Works

The healthcare spending account can help you cover a variety of expenses that may not be reimbursed in full by other plans, such as medical and dental deductibles, amounts not covered by insurance, expenses in excess of



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medical or dental plan limits, co-payments, and over-the-counter medicines for “medical care”. The general rule is that any medical expense that is deductible on your federal income tax return may be reimbursed through the healthcare spending account without regard to the 7.5% Adjusted Gross Income rule.

## Eligible Expenses

The following is a partial list of items that the IRS or the federal courts have held to constitute eligible medical expenses for Flexible Spending Accounts.

In general, expenses incurred to treat a medical condition or to alleviate pain are eligible. Items traditionally covered under health insurance plans, such as expenses associated with physicians, dentists, hospitals, etc., are also eligible even if not listed specifically.

For a complete list of eligible expenses as outlined by the IRS in Publication 502, log on to our website today.

### The following is a partial list of eligible medical expenses for Flex Spending Accounts

- Prescription drug co-pays
- Over-the-counter medicines including pain relievers, allergy & cold medicines, antacids, etc.
- Office visit co-pays
- Deductibles & coinsurance
- Dental expenses & orthodontia (including implants)
- Eye exams & prescription eyewear (lenses, frames & contacts)
- Contact solutions
- Laser eye surgery
- Chiropractic services
- Body scans
- Weight loss for obesity with a Drs. Note (see IRS Pub. 502 for details)
- Installation of special medical equipment and other home improvements to relieve a medical condition
- Infertility services (see IRS Pub. 502 for details)
- Durable medical equipment
- Diabetic supplies including test strips, syringes, monitors, etc.
- Telephone-teletype costs & television adapter costs for closed caption service for the deaf
- Costs for medical care of elderly person (if claimed as a dependent on tax return)
- Orthopedic shoes/braces
- Hearing aids & batteries
- Medical donor's expenses
- Tutoring costs for child suffering from dyslexia or other severe learning disabilities (with Drs. note)
- Speech therapy (with Drs. note)
- Non-prescription smoking cessation drugs (including Nicorette gum, the patch, etc.)
- Expenses for which you receive benefits from another health plan
- Group health insurance premiums sponsored through your employer or another employer

## Ineligible Expenses:

- Health clubs, spas, non-prescription weight loss programs
- Dietary supplements
- Vitamins
- Cosmetic surgery (unless medically necessary)
- Hair transplants
- Teeth whitening

## Dependent Care Spending Account

This account will reimburse you with pre-tax dollars for daycare expenses for your child(ren) and other qualifying dependents so you (and your spouse) may work or go to school. You can contribute up to \$5,000 a year or \$2,500 if you are married and file separate tax returns.

### Eligible Dependents\* Include:

- Children under age 13 who qualify as dependents on your federal tax return
- Children or other dependents of any age who are physically or mentally unable to care for themselves and who qualify as dependents on your federal tax return

\*If you have joint custody of child(ren), please consult Consociate Group before making your dependent care election.

You may use both the dependent care spending account (\$5000 max) and federal child care tax credit (\$3000/\$6000 max); however, your federal credit will be offset by any amount deferred into the company's dependent care plan. For example, if you have 2 or more children and elect the maximum of \$5000 for the dependent care FSA, you will still have \$1000 left of the \$6000 federal credit.

### Eligible Dependent Care Expenses

- Special school costs for physically and mentally handicapped children
- Daycare
- Before & after school programs
- Nursery school or preschool
- Summer day camp
- Adult daycare
- Care in a home or by a licensed provider (income must be claimed by your care provider)

### Ineligible Dependent Care Expenses

- Child support payment
- Food, clothing, and entertainment
- Educational supplies
- Activity or registration fees
- Private school tuition for dependents in kindergarten or higher grades
- Overnight camps

### Pre-Tax Dollars Points to Remember

- All monies left in the account at the end of the plan year's grace period will be forfeited.
- Claims incurred during one plan year cannot be submitted for reimbursement for another plan year.
- Monies from the healthcare account may not be applied to the dependent care account and vice versa.

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- Direct deposits are initiated on Thursday and could take up to 4 business days to post in your designated account.
- Eligibility does not depend on enrollment in your company's health plan.
- Employees utilizing the dependent care account must still submit Form 2441 with their federal tax return.
- If your spouse is enrolled in school or earns less than \$6000 a year, please consult a Consociate • Dansig representative before you make your dependent care election.
- Each year you must re-enroll during your employer's Open Enrollment period to continue participating in the plan.
- You may not change your FSA election during the plan year unless you have a change in status event. The status change must be submitted to your HR department within 30 days of the event and the change in election must be consistent with the change in status. Please visit [www.consociatedansig.com](http://www.consociatedansig.com) for examples of status change events.

## When Submitting Claims

- Faxing your claim expedites your claims processing.
- Please do not mail & fax the same claim.
- Do not send cash register or credit card receipts or cancelled checks – according to IRS regulations, we are unable to accept them (cash register only for over-the-counter medicines).
- Do not send receipts with a balance forward. We need the claim incurred date and the services that were rendered.
- For further information, please refer to your Summary Plan Description (SPD).

## Reimbursements

Please note the following regarding the Dependent Care Account:

- Consociate • Dansig can only accept claims and make reimbursements for the current month.
- Eligible expenses are those that are incurred so that you (and/or your spouse) can work or go to school.

## How to Speed Your Claim Reimbursement

- If you mail claims, photocopies are preferred; please don't send original receipts—keep these for your records.
- Faxing your claim expedites claim processing.
- Complete all fields of the claim form accurately and legibly.
- Submit a separate claim form for dependent care and medical expenses.
- Daycare claims can only be reimbursed for services that have been rendered.
- Don't send cancelled checks or credit card receipts—we are unable to accept them.
- Don't send receipts with a balance forward. We need the claim incurred date and the services that were rendered.

- Prescription receipts must have RX#, patient name & pharmacy (no cash register receipts).
- Please provide your e-mail address on the claim form so we may contact you if we have any questions.

## Questions & Answers

- **What records should I keep?** You should keep the originals of all materials sent to Consociate • Dansig.
- **Can I change my election?** You may change your election only during Open Enrollment or within 30 days of a status change such as birth, divorce, marriage, change in employment status of your spouse or your spouse losing or becoming eligible for health insurance.
- **What happens if I leave the company?** You will have until the end of your company's grace period to submit your claims; however, the claims must be incurred before your termination. You may also elect COBRA for your healthcare account only if you have a positive balance.
- **Will this plan affect my Social Security retirement benefit?** Yes. It will slightly decrease your average earnings reported to the IRS and therefore your retirement benefit. However, the current tax savings more than offset this reduction.
- **Can I claim the Social Security taxes I pay for my daycare provider through my dependent care account?** Yes.
- **Can I pay a family member to care for my child?** Yes, if the member is not a dependent on your federal tax return and is over age 19.
- **Should I use the FSA account or the federal dependent care tax credit?** Generally, if your adjusted gross income is over \$25,000 you will save more under the company plan, but you should consider the potential effect on the earned income credit.
- **Do I have to report money I receive from my healthcare account on my tax return?** No, the money is free from federal, Social Security and most state taxes and will not show up on your W2 at the end of the year.