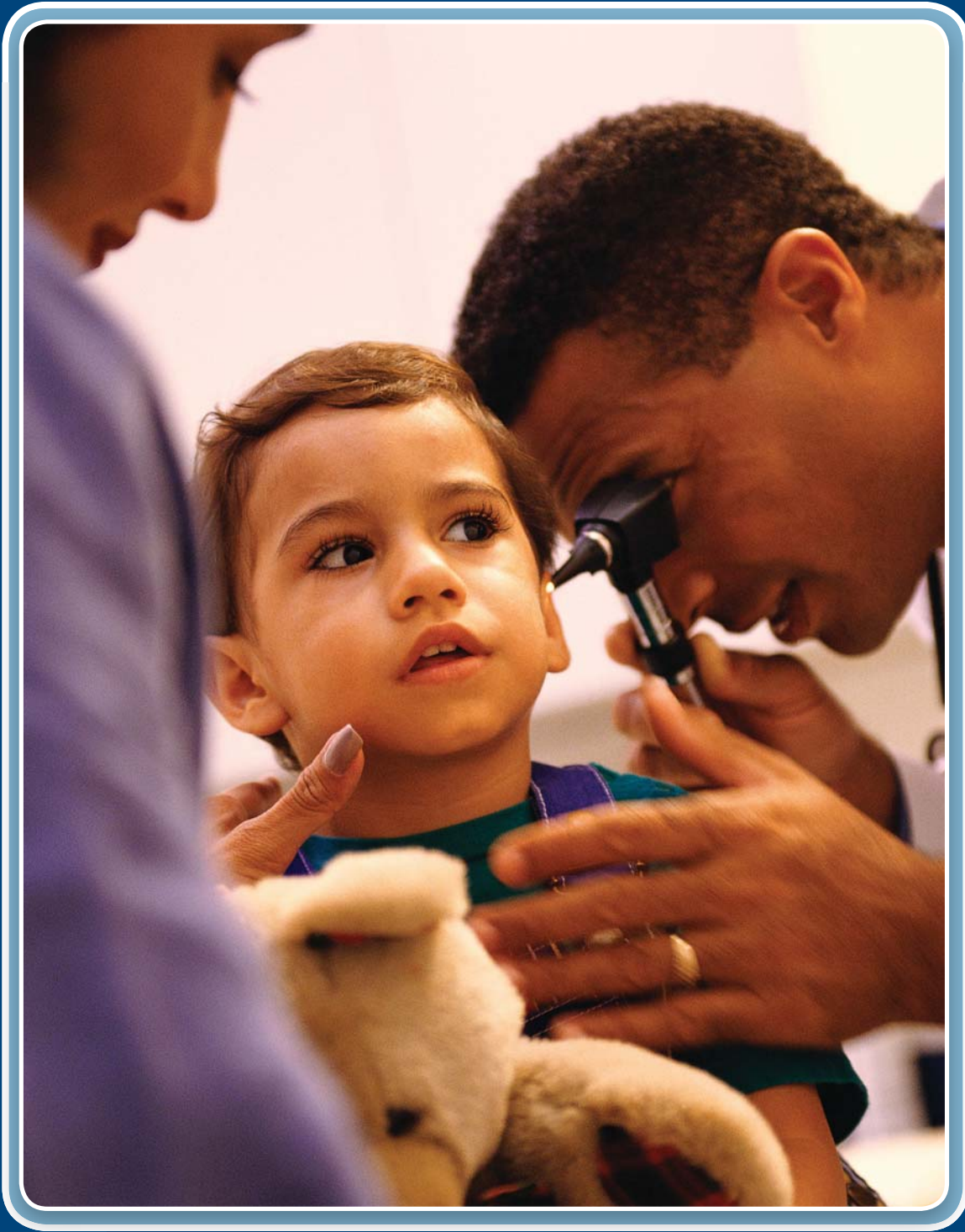


# BENEFIT INFORMATION

## **FLEXIBLE SPENDING ACCOUNTS**



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# FLEXIBLE SPENDING CONTRIBUTION WORKSHEET

Your employer has chosen to offer a benefit option called Section 125 Flexible Spending, or "Flex" for short. A Flexible Spending Account (FSA) is a tax-advantaged financial account that can be set up through a cafeteria plan with the help of your employer. FSAs allow employees to set aside a portion of their earnings to pay for qualified expenses as established in the cafeteria plan, most commonly for medical expenses but also for dependent care or other qualified expenses. Money deducted from an employee's pay and deposited into an FSA is not subject to payroll taxes, resulting in a substantial savings

## Health Care Expense (FSA)

This is commonly used to pay for deductibles, co-payments and coinsurance for the medical plan, but may also include expenses not covered by the health plan, such as dental and vision expenses.

A health care FSA cannot pay for health insurance premiums, cosmetic items, cosmetic surgery or items that improve "general" health. All items must be intended to treat or prevent a specific medical condition such as diabetes, pregnancy or even a skin cut. Generally, allowable items are the same as those qualifying for a medical tax deduction.

Participants can determine how much they would like to contribute up to the maximum contribution defined by their plan.

## Dependent Care Account (DCA)

FSAs can also be established to pay for certain expenses to care for dependents that live with you while you are at work. While this often means child care, it can also apply to adult day care for senior dependents living with you, such as parents. It cannot be used for summer camps (other than "day" camps), tuition or long term care for parents who live elsewhere (such as a nursing home).

The dependent care FSA is federally capped at \$5,000 per year. While married spouses can each elect to have this amount deducted from their paycheck and applied to expenses, all withdrawals over \$5,000 are taxed.

(Contributions are capped at \$5,000 for couples filing a joint return or \$2,500 for couples filing separate returns.) Unmarried couples can each deduct and use \$5,000. Unlike medical FSAs, dependent care FSAs cannot be pre-funded. Employees can only be reimbursed as funds are deposited into the FSA.

If married, BOTH spouses must earn income in order for the Dependent Care FSA to work. The only exception is if the non-earning spouse is disabled or a student. If one spouse earns less than \$5,000, the benefit is limited to whatever that spouse earned.

### Example 1: A Working Mother With 2 Children

Annual Earnings  
\$36,000

- Dependent Medical
- Medical Deductibles
- Dental Care
- Dependent Child Care

|  | Without Flex | With Flex         |
|--|--------------|-------------------|
| Total Monthly Pay                          | \$3,000.00   | \$3,000.00        |
| Less Pre-Tax Benefits                      |              |                   |
| Health Premiums*                           | 0.00         | 120.00            |
| Medical/Dental Expenses                    | 0.00         | 100.00            |
| Child Care Expenses                        | 0.00         | 400.00            |
| Total Pay Subject to Tax                   | \$3,000.00   | \$2,380.00        |
| Less Deductions                            |              |                   |
| Federal Income                             | 266.00       | 170.00            |
| Tax FICA Tax                               | 186.00       | 147.56            |
| Medicare Tax                               | 43.50        | 34.51             |
| After Tax Income                           | \$2,504.50   | \$2,027.93        |
| Less After-Tax Benefits                    |              |                   |
| Health Premium                             | 120.00       | 0.00              |
| Medical/Dental Expenses                    | 100.00       | 0.00              |
| Child Care Expenses                        | 400.00       | 0.00              |
| Spendable Income                           | \$1,884.50   | \$2,027.93        |
| <b>Annual Increase in Spendable Income</b> |              | <b>\$1,721.16</b> |

### Example 2: Working Couple With 2 Children

Annual Earnings \$42,000

- Dependent Medical\*
- Medical & Dental

|  | Without Flex | With Flex         |
|--|--------------|-------------------|
| Total Monthly Pay                          | \$3,500.00   | \$3,500.00        |
| Less Pre-Tax Benefits                      |              |                   |
| Health Premiums*                           | 0.00         | 150.00            |
| Medical/Dental Expenses                    | 0.00         | 100.00            |
| Child Care Expenses                        | 0.00         | 250.00            |
| Total Pay Subject to Tax                   | \$3,500.00   | \$3,000.00        |
| Less Deductions                            |              |                   |
| Federal Income                             | 215.00       | 142.00            |
| Tax FICA Tax                               | 217.00       | 186.00            |
| Medicare Tax                               | 50.75        | 43.50             |
| After Tax Income                           | \$3,017.25   | \$2,628.50        |
| Less After-Tax Benefits                    |              |                   |
| Health Premium                             | 150.00       | 0.00              |
| Medical/Dental Expenses                    | 100.00       | 0.00              |
| Child Care Expenses                        | 250.00       | 0.00              |
| Spendable Income                           | \$2,517.25   | \$2,628.50        |
| <b>Annual Increase in Spendable Income</b> |              | <b>\$1,335.00</b> |

### Example 3: A Family With Older Children

Annual Earnings \$48,000  
(1 wage earner)

- Dependent Medical\*
- Medical & Dental Expenses

|  | Without Flex | With Flex       |
|--|--------------|-----------------|
| Total Monthly Pay                          | \$4,000.00   | \$4,000.00      |
| Less Pre-Tax Benefits                      |              |                 |
| Health Premiums*                           | 0.00         | 150.00          |
| Medical/Dental Expenses                    | 0.00         | 200.00          |
| Total Pay Subject to Tax                   | \$4,000.00   | \$3,650.00      |
| Less Deductions                            |              |                 |
| Federal Income                             | 358.00       | 304.00          |
| Tax FICA Tax                               | 248.00       | 226.30          |
| Medicare Tax                               | 58.00        | 52.93           |
| After Tax Income                           | \$3,336.00   | \$3,066.77      |
| Less After-Tax Benefits                    |              |                 |
| Health Premium                             | 150.00       | 0.00            |
| Medical/Dental Expenses                    | 200.00       | 0.00            |
| Spendable Income                           | \$2,986.00   | \$3,066.77      |
| <b>Annual Increase in Spendable Income</b> |              | <b>\$969.24</b> |

Consult Your Tax Advisor. The above payroll calculations are for illustrative purposes only and may vary based on current federal, state or local conditions. Neither this worksheet nor your Summary Plan Description are intended to offer legal or tax advice. You should consult your tax advisor prior to enrolling to determine the specific implications of IRC Section 125.

## FSA Advantages

**Pre-Funding** – Medical FSAs are pre-funded by the employer, which means that regardless of the amount you set aside each pay period, the entire total of your annual contributions is available for use immediately.

**Tax Savings** – As an example, with flexible spending, deducting \$2,000 per year from taxable income and depositing it into a medical FSA can result in annual tax savings of nearly \$750.

## Rules Regarding Flex Accounts

**Use It or Lose It Provision** – One drawback is that the money you set aside in a FSA must be used within the coverage period or the plan year. Allocations remaining unspent at the end of the plan year revert back to the plan. With proper planning this provision and potential losses can be avoided.

**Changes During the Plan Year** – The annual contribution amount must remain the same throughout the year unless certain qualifying events occur, such as birth of a child or death of a spouse.

**Medical Expenses Must Be Documented** – Government regulations require that your medical expenses may be reimbursed only if you provide a) a written statement from an independent third party stating that the expense has been incurred and the amount of the expense and b) a written statement that the medical expense has not been reimbursed or is not reimbursable under any other health plan coverage. Cancelled checks are not considered an acceptable form of documentation.

# Worksheet: Determining Flex Contributions

Please take time to answer the questions on this form which apply to you. Your responses will help you determine how much you should contribute to your Flexible Spending Account for the plan year. Sample eligible expenses available on the back of this worksheet.

Once estimates have been completed note the number of pay periods per year (i.e. 12, 24, 26, or 52), then divide each total by number of pay periods to determine how much to contribute per pay period to each Account.

## Health Care Account

Provide an estimate of your health care expenses. You may want to review your health care expenses from last year and consider any new or different expenses that you, your spouse or dependents may have in the upcoming year.

| TYPE OF EXPENSE                       | ESTIMATED ANNUAL COST |
|---------------------------------------|-----------------------|
| Deductibles                           | \$ _____              |
| Co-payments/co-insurance              | \$ _____              |
| Amounts paid over plan limits         | \$ _____              |
| Expenses not covered by insurance     | \$ _____              |
| Prescription drugs                    | \$ _____              |
| Vision care                           | \$ _____              |
| Dental care                           | \$ _____              |
| Treatment/therapies                   | \$ _____              |
| Medical equipment                     | \$ _____              |
| Other anticipated health expenses     | \$ _____              |
| <b>Total Expenses for Health Care</b> | <b>\$ _____</b>       |

## Dependent Care Account

To estimate your expenses, review dependent care expenses from last year and consider any anticipated new dependent care expenses eligible for reimbursement.

| TYPE OF EXPENSE                          | ESTIMATED ANNUAL COST |
|--|-----------------------|
| Annual child care expenses               | \$ _____              |
| In-home care                             | \$ _____              |
| Nursery or preschool                     | \$ _____              |
| After school care                        | \$ _____              |
| Au pair services                         | \$ _____              |
| Summer day camp                          | \$ _____              |
| Annual elder care services               | \$ _____              |
| <b>Total Expenses for Dependent Care</b> | <b>\$ _____</b>       |

**Please Note:** You May Lose Your Dependent Child Care Credit. Use of the dependent and child care portion of the plan may result in disallowance of the use of the dependent child care credit. Annual dependent and child care expenses cannot exceed \$5,000 (\$2,500 for a married individual filing a separate return), and may not exceed the lesser of your or your spouse's earned income.

Please refer to your plan document for additional details, plan limits (including those set because of participation in other tax favored accounts, i.e. Health Savings Account, Health Reimbursement Account) and legislative changes that may affect your account. Additional information is also available at [www.JPFarley.com](http://www.JPFarley.com).

# FLEXIBLE SPENDING ELIGIBLE MEDICAL EXPENSES

The IRS defines medical care expenses as amounts paid for the diagnosis, cure, mitigation or treatment of a disease and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate a physical or mental defect or illness.

This list provides examples of the medical expenses eligible for payment under the Medical Reimbursement Account to the extent such expenses are not covered by your medical or dental benefit plan. This list is NOT all-inclusive and other expenses not listed may also qualify. For more information, IRS Publication 502 Medical and Dental Expenses contains additional information. To be eligible for reimbursement, the purchase or service must be provided during the account plan year.

## MEDICAL SERVICES INCLUDING ITEMS ALLOWED AS PART OF YOUR PLAN

Office Co-Pays  
Plan Deductible Amounts  
Plan Co-Insurance Amounts  
Plan Out-of-Pocket Expenses  
Prescription Drugs  
Acupuncture  
Ambulance

Birth Control Pills  
Cardiographs  
Chiropractor Care  
Fertility Treatments  
Hearing Exams  
Hospital Services  
Lab & X-ray Fees

Laser Eye Surgery  
Medical Equipment  
Mental/Nervous Treatment  
Physical Examinations  
Podiatry Care\*  
Therapy (i.e. physical, occupational, speech)

Transplants (i.e. Donor Fees)  
Sterilization  
Substance Abuse Treatments  
Surgery (not cosmetic)  
Vaccinations / Immunizations  
Vasectomy

## DENTAL SERVICES

Braces  
Bridges  
Crowns  
Dental Treatments  
Dentures

Dental Implants  
Dental X-rays  
Exams  
Extractions  
Fillings

Gum Treatment  
Oral Surgery  
Orthodontics  
Teeth Cleaning

## VISION SERVICES

Artificial Eyes  
Eyeglass Frames & Lenses  
Contact Lenses  
Laser Eye Surgery  
Prescription Sunglasses  
Vision Examinations

## DURABLE MEDICAL EQUIPMENT, SUPPLIES, SERVICES & OTHER ITEMS

Artificial Limb  
Autoette  
Braille Books & Magazines\*  
Crutches  
Guide Dog\*  
Telephone/Television for Hearing Impaired\*

Hearing Aids & Batteries  
Insulin  
Lamaze  
Lifting Device  
Lodging (very limited)

Medic Alert Bracelet or Necklace  
Orthopedic Shoes\*  
Orthotics\*  
Oxygen  
Prosthesis  
Physician recommended Weight Loss or Smoking Cessation\*

Splints  
Support or Elastic Hose\*  
Transportation  
Wheelchair  
Wigs (hair loss due to a disease)

## OVER-THE-COUNTER ITEMS & MEDICATION AS ALLOWED BY YOUR PLAN

Asthma Flow Meters  
Blood Glucose Monitor

BP/Heart Rate Monitor  
Contact Lens Solution

First Aid Products  
Insulin & Diabetic Supplies

Nebulizers

As of January 1, 2020 the CARES ACT allows for Over-the-Counter (OTC) Medications (i.e. Antacids, allergy medicines, pain relievers and cold medicine) to be reimbursed via an FSA or HSA plan. OTC medicines and drugs must still meet the definition of "medical care" in IRS section 213(d)(1) which defines "medical care" to include amounts paid for diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure of the body. Amounts paid for dietary supplements (e.g. vitamins) that merely benefit general health are not eligible for reimbursement. Reimbursement can only be done by submitting the proper documentation (receipt and signed doctor's prescription) to your flexible spending administrator.

(Note: Prior to this, a law effective January 1, 2011 did not allow reimbursement through a Flexible Spending Plan unless prescribed by a doctor.)

WexHealth also provides a list of eligible expenses at: <https://www.wexinc.com/insights/benefits-toolkit/eligible-expenses/>

## Ineligible Expenses ITEMS NOT ALLOWED DUE TO IRS REGULATIONS

Adoption Expenses  
Athletic /Health Club Dues  
Cancelled Appointment Fees  
Babysitting  
Cemetery & Funeral Expenses

Cosmetic Surgery/procedures  
Dental Veneers  
Diaper Services Electronic  
Toothbrushes  
Exercise Equipment  
Eyeglass Insurance

Hair Transplant  
Insurance Premiums  
Marriage Counseling  
Massage Therapy\*\*  
Maternity Clothes  
Tattoo Removal

Teeth Whitening  
Toiletries (toothpaste, etc.)  
Varicose Vein Treatment\*\*  
Vitamins/Supplements\*\*  
Weight Loss Programs/Drugs\*\*

\* Covered to some extent or the extent that exceeds normal costs.  
\*\* Eligible ONLY with a Doctor's certification identifying the medical condition and length of treatment (massage therapy, even with doctor's prescription is very limited.)

Note: If enrolled in a Limited Medical FSA or Combination Medical FSA, your eligible expenses may be different. See your plan for additional information.

Please refer to the IRS guidelines for additional questions and information regarding items reimbursable through your Flexible Spending Account. The IRS looks at the reasonableness of the cost of a treatment in making many allowances. IRS and government regulations are subject to change. Save your receipts & documentation for reimbursement submission and tax records.

If You Have Questions, Contact Us  
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