

# Flexible Spending Accounts

## How they work and why you want to participate

The primary advantage to enrolling in an IRS approved Flexible Spending plan is to reduce your taxable income. The secondary advantage is to help offset your eligible out-of-pocket expenses.

This plan, offered by your Employer, allows you to set aside PRE-TAX dollars for health and dependent care expenses that you would otherwise pay for with post-tax dollars. Flexible Spending Accounts (FSA) are exempt from federal taxes, Social Security taxes (FICA), and in most cases state income taxes.

For example, if you incur a deductible expense or office visit co-payment you may be reimbursed for those expenses through a Healthcare Flexible Spending Account. This plan allows you the opportunity to save approximately 30% or more on the expenses you, your spouse, or your dependents already incur for health care. The same holds true for the Dependent Care Flexible Spending Plan. By setting aside pre-tax dollars in a Dependent Care Flexible Spending Plan, you can take advantage of paying for childcare costs on a pre-tax basis.

The plan and process work like this:

- You elect to participate in either or both the health care or dependent care Flexible Spending plan
- Through payroll deduction, you begin setting pre-tax dollars aside based on your annual election
- You incur an expense that qualifies for reimbursement

You may either:

- Use your Benefits MasterCard for the purchase, if the merchant accepts the card, or
- Pay out-of-pocket and submit a claim for reimbursement

Remember, the funds from that account were never taxed; that is how you will save approximately 30% or more on your health and/or dependent care expenses!

The Department of Treasury modified its use-it- or-lose-it rule to allow for a limited rollover of FSA Healthcare funds. If your employer has implemented the rollover option, you will be able to rollover up to \$550 in unused funds into the next plan year. However, if your employer has not implemented this provision, any funds that are not reimbursed under the plan will be forfeited.

The information in this packet is a brief overview of Flexible Spending plans and is in no way meant to guarantee benefits. More detailed information regarding both the health and dependent care reimbursement plans can be found online at [www.plansource.wealthcareportal.com/Page/Home](http://www.plansource.wealthcareportal.com/Page/Home)

# Health Care Flexible Spending Plan

Save potentially 30% or more on your out-of-pocket health care expenses

## Healthcare Flexible Spending Plan

A Flexible Spending Account, or FSA, lets you set aside pre-tax money from your paychecks to spend on out-of-pocket healthcare expenses (i.e. co-pays, deductibles, over-the-counter items, etc.) that your insurance plans do not cover in full or are ineligible under the plans. Money that goes into an FSA is pre-tax, so you can save as much as 30% of each dollar you put into your FSA, as long as you spend the money on qualified health costs for you, your spouse or eligible dependents. Whether or not you are enrolled in the medical insurance plan through your employer, you are eligible for the FSA.

## Limited-Purpose Flexible Spending Plan

A Limited-Purpose Health Flexible Spending Account (referred to as a limited-purpose FSA) is much like a typical, general purpose health FSA. However, under a limited-purpose FSA, eligible expenses are limited to qualifying dental and vision expense for you, your spouse, and your eligible dependents. Limited-Purpose FSA Plans are designed for employees that are also contributing to a Health Savings Account (HSA) and are not eligible for a general-purpose health FSA plan.

By participating in this plan, you are able to save money on expenses you are already paying for like dental checkups, vision exams, eyeglasses, and much more.

For access to a tax savings calculator, list of eligible items, reimbursement claim forms and frequently asked questions, visit [www.plansource.wealthcareportal.com/Page/Home](http://www.plansource.wealthcareportal.com/Page/Home)

## FSA Eligible Medical Care Expenses 2022

**Healthcare Flexible Spending Plan** Medical and dental expenses that qualify as expenses for medical care under IRS rules generally qualify as Eligible Expenses for reimbursement under the Plan. Those may take the form of co-pays, deductibles, and medical expenses not covered by other insurance. Often expenses that qualify for deductions under IRS rules are Eligible Expenses, but in some instances expenses that are deductible will not be reimbursable and expenses that are not deductible will be reimbursable. Some specific examples are identified below. The following is not an exhaustive list and there are other expenses that are eligible if they satisfy the IRS rules.

**Limited Scope Healthcare Flexible Spending Plan** Only a limited number of the following expenses are Eligible Expenses for reimbursement under the Limited Scope FSA Plan. In some cases, the expenses must be for dental, vision, or preventive care. Dental care expenses are listed under the "Dental & Orthodontic Care" section. Vision care expenses are listed under the "Vision Care" section. Expenses for preventive care may be found in any of the following sections, but they must satisfy the definition of "preventive care."

"Preventive care" includes periodic health examinations (e.g., annual physicals, routine prenatal and well-child care), immunizations, tobacco cessation and obesity weight-loss programs, and screening services that are not for the treatment of an existing illness, injury, or condition. Preventive care also includes treatment of a related condition during the preventive care service or screening. Preventive Care also includes preventive drugs/medications (e.g. drugs/medications taken by a person who has developed risk factors for a disease that has not yet manifested itself or taken to prevent the reoccurrence of a disease).

### Listing of Allowable and Disallowable Expenses

#### Dental & Orthodontic Care

*Allowable expenses:*

- Dental treatment
- Artificial teeth/dentures
- Braces, orthodontic devices

*Expenses specifically disallowed by the IRS or courts:*

- Teeth whitening
- Toothbrushes and toothpaste, even if special type is recommended by dentist

#### Therapy Treatments

*Allowable expenses:*

- X-ray treatments
- Treatment for alcoholism or drug dependency
- Legal sterilization
- Acupuncture
- Vaccinations
- Hair transplant
- Physical therapy (as a medical treatment)
- Fee to use swimming pool for exercises prescribed by physician to alleviate specific medical condition such as rheumatoid arthritis
- Speech therapy
- Smoking cessation programs and prescribed drugs to alleviate nicotine withdrawal

*Expenses specifically disallowed by the IRS or courts:*

- Physical treatments unrelated to a specific health problem (e.g., massage for general wellbeing)
- Any illegal treatment
- Cosmetic surgery
- Treatment for baldness (unless it is for a specific medical condition and not for cosmetic purposes)
- Electrolysis (unless it is for a specific medical condition and not for cosmetic purposes)

## Listing of Allowable and Disallowable Expenses CONTINUED

### Fees/Services

*Allowable expenses:*

- Physician's fees and hospital services
- Nursing services for care of a specific medical ailment
- Cost of a nurse's room and board if paid by the taxpayer where nurse's services qualify
- Social Security tax paid with respect to wages of a nurse where nurse's services qualify
- Services of chiropractors
- Christian Science practitioner fees
- Diagnostic tests

*Expenses specifically disallowed by the IRS or courts:*

- Payments to domestic help, companion, babysitter, chauffeur, etc. who primarily render services of a non-medical nature
- Nursemaids or practical nurses who render general care for healthy infants
- Fees for exercise, athletic, or health club membership when there is no specific health reason for needing membership
- Marriage counseling provided by clergyman

### Hearing Expenses

*Allowable expenses:*

- Hearing aids and hearing aid battery
- Hearing aid repair
- Special telephone equipment

### Medicine and Drugs

*Allowable expenses:*

- Medicine and drugs that require a prescription
- Insulin
- Over the counter medicine and drugs used to alleviate or treat personal injuries or sickness (including antacids, antihistamines, aspirin/pain relievers, cold medicines, etc.)

*Expenses specifically disallowed by the IRS or courts:*

- Medicine and drugs for cosmetic purposes
- Dietary supplements if for general health

### Medical Equipment

*Allowable expenses:*

- Blood Sugar test kits
- Wheelchair or autoette (cost of operating/maintaining)
- Crutches (purchased or rented)
- Special mattress & plywood boards prescribed to alleviate arthritis
- Oxygen equipment and oxygen used to relieve breathing problems that result from a medical condition
- Artificial limbs
- Support hose (if medical necessary)
- Wigs (where necessary to mental health of individual who loses hair because of disease)

- Excess cost of orthopedic shoes over cost of ordinary shoes
- Breast pumps for nursing mothers

*Expenses specifically disallowed by the IRS or courts:*

- Wigs, when not medically necessary for mental health
- Vacuum cleaner purchased by an individual with dust allergy
- Mechanical exercise device not specifically prescribed by physician

### Physicals

*Allowable expenses:*

- Physicals and other well visits
- Immunizations

*Expenses specifically disallowed by the IRS or courts:*

- *Physicals for employment purposes*

### Vision Care

*Allowable expenses:*

- *Optometrist's or ophthalmologist's fees*
- *Eyeglasses and prescription sunglasses*
- *Insurance for replacement of lost or damaged contact lenses*
- *Contact lens and contact lens solutions*
- *Laser eye surgery*

## Listing of Allowable and Disallowable Expenses CONTINUED

### Assistance for the Handicapped

#### Allowable expenses:

- Cost of guide for a blind person
- Cost of note-taker for a deaf child in school
- Cost of Braille books and magazines in excess of cost of regular editions
- Seeing eye dog (cost of buying, training and maintaining)
- Household visual alert system for deaf person
- Excess costs of specifically equipping automobile for handicapped person over cost of ordinary automobile; device for lifting handicapped person into automobile
- Special devices, such as tape recorder and typewriter, for a blind person

### Miscellaneous Charges

#### Allowable expenses:

- X-rays
- Expenses of services connected with donating an organ
- Excess cost of medically prescribed diet
- The cost of a medically prescribed weight loss program

- Breast reconstructive surgery following mastectomy as part of treatment for cancer
- Contraceptives
- Menstrual Products
- Fertility treatments
- Medical records charges
- Bandages
- Lactation supplies for nursing mothers
- Cost of transportation (e.g.) mileage) primarily for and essential to medical care

#### Expenses specifically disallowed by the IRS or courts:

- Expenses of divorce when doctor or psychiatrist recommends divorce
- Cost of cosmetics, and sundry items (e.g., soap, toothbrushes)
- Cost of special foods taken as a substitute for regular diet, when the special diet is not medically necessary, or taxpayer cannot show cost in excess of cost of a normal diet
- Maternity clothes
- Diaper service
- Distilled water purchased to avoid drinking fluoridated county water supply
- Installation of power steering in automobile
- Pajamas purchased to wear in hospital

- Mobile telephone used for personal calls as well as calls to physician
- Union dues for sick benefits for members
- Contributions to state disability funds
- Auto insurance providing medical coverage for all persons injured in or by the taxpayer's automobile, where amounts allocable to taxpayer and dependent is not stated separately
- Long-term care services
- Funeral expenses

### Insurance

#### Allowable expenses:

- None

#### Expenses specifically disallowed by the IRS or courts:

- Health insurance premiums (including individual and non-employer sponsored coverage)
- Long term care insurance premiums

# Dependent Care Flexible Spending Plan (Child Care)

Save potentially 30% or more on your dependent care expenses

Dependent Care Flexible Spending plans are designed to help you save money on the childcare expenses you and your spouse (if applicable) incur during the year. Childcare expenses may include day care, nursery school costs, or after-school programs.

This plan can also be used for expenses incurred in the care of elderly parents, a disabled spouse or a disabled child. Please note, the Dependent Care Flexible Spending Account is not for dependent medical expenses; this account is specifically for the care of your child or dependent while you and/or your spouse are at work or attending school.

A requirement for eligibility is that you are employed and covered under this plan at the time your eligible dependent receives care.

## You must also meet one of the following requirements for eligibility:

- Your spouse is working or looking for employment
- You are a single parent or guardian
- At a time when you are employed, your spouse is a full-time student at least five months during the year
- Your spouse is mentally or physically disabled and unable to provide for his/her own care
- You are legally separated or divorced and have custody of your child, even if you cannot claim an exemption for this dependent on your income taxes (for the time period that the child resides with you, this plan can be used to pay for child care services)

## An Eligible Dependent is a qualifying individual spending at least eight hours a day in your home and is one of the following:

- Your dependent under age 13 for whom you claim an exemption on your income taxes (expenses are no longer eligible for reimbursement upon the dependent's thirteenth birthday)
- A child under the age of 13 for whom you have custody, if divorced or legally separated
- Your spouse, if mentally or physically unable to provide self-care
- Your dependent, regardless of age, who is mentally or physically unable to provide self-care, even if you

cannot claim an exemption for this dependent on your income taxes

## Eligible Expenses for Reimbursement include:

- Care received inside or outside your home by someone other than: your spouse, a person listed as a dependent on your income tax return, or one of your children under age 19; the child care provider must claim the payments received as income
- Care received from a qualifying child day care center or adult or dependent care center
- Care provided by a housekeeper as long as the services provided, in part, are for the care of a qualified dependent
- Care provided through nursery, preschool, after-school, or summer day camp programs
- Taxes for wages spent on eligible dependent care can also be submitted for reimbursement

## Ineligible Expenses

- Include, but are not limited to: dependent health care expenses, dependent care for a child age 13 or over, non-work-related babysitting, care that is educational in nature (kindergarten and beyond), or overnight camp. All submitted claims and receipts are reviewed and processed prior to issuing reimbursement (IRC §125; 129).

By contributing to this plan through payroll deduction, your Dependent Care Flexible Spending Account is funded from your check on a PRE-TAX basis. It is through this pre-tax deduction you save a percentage of each dollar you spend on eligible dependent care expenses.

By setting aside pre-tax dollars and participating in the Dependent Care Flexible Spending Plan, you can take advantage of paying for these incurred expenses on a PRE-TAX basis.