

Medical and Dependent Care Expenses



# WHAT IS A

# FLEXIBLE SPENDING ACCOUNT



Flexible Spending Accounts (FSA) are part of Section 125, established by the IRS. Section 125 allows employees to set aside money for future medical and child care costs on a pre-tax basis.

A Medical FSA can be used to cover:

- Insurance deductibles
- Co-payments and coinsurance
- Prescriptions
- Dental or vision expenses
- Over-the-counter medicine
- Menstrual products

## SAVINGS

You save between 15%-40% by not having to pay federal, most state and local taxes, as well as Social Security and Medicare taxes for every dollar elected for an FSA.

The savings really add up.



Without an FSA		With an FSA	
Gross taxable wage	\$500.00	Gross taxable wage	\$500.00
<b>Federal, FICA &amp; State Tax</b>	<b>-113.25</b>	Group Insurance premium contribution	-40.00
Group Insurance premium contribution	-40.00	Average weekly out-of-pocket medical expenses	-50.00
Take home pay	\$346.75	Taxable wage	\$410.00
Average weekly out-of-pocket medical expenses	-50.00	<b>Federal, FICA &amp; State Tax</b>	<b>-92.86</b>
Amount left to spend	\$296.75	Amount left to spend	\$317.14
<b>FSA Tax Savings per week</b>			<b>\$20.39</b>

• Assuming 15% Federal tax, 7.65% FICA Tax (Social Security and Medicare)

# MEDICAL FSA

Below is an example of how a current participant calculated the amount they elected for medical FSA. Be sure to base YOUR estimate on known expenses.

The full amount of your medical election is available  
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When you incur an eligible out-of-pocket expense, submit your itemized documentation to BASIC and UHFHLYH D WD[ IUHH UHLPEXUVHPHQW


IRS regulations govern the eligibility of claims which include those that are not fully covered by a health care plan and are prescribed by a physician or other licensed professional, primarily for preventing, treating or mitigating a physical defect or illness. The IRS does not allow reimbursement for the following: cosmetic surgery, insurance premiums, teeth bleaching / whitening, nutritional supplements/vitamins, marriage counseling, debt counseling, eyeglass sun clips and prepayment of services. For more details, refer to IRS Publication No. 502.

# QUALIFIED EXPENSE

IRS regulations govern the eligibility of items and claims. As a FSA Administrator, BASIC helps ensure that you and your employer stay within these regulations.

## MEDICAL, DENTAL & VISION

Co-pays  
Co-insurance  
Deductibles

## MEDICAL\*

Acupuncture  
Chiropractor  
Podiatrist  
Doctor fees  
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Prescriptions  
Hospital bills  
Laboratory fees  
Medic alert bracelet  
Dermatologist  
Immunizations  
Obstetrical expenses  
Routine physicals  
X-rays  
Well baby checkups

## DIABETIC SUPPLIES\*

Insulin  
Glucometer  
Syringes/Needles  
Test Strips

## HEARING\*

Hearing exam  
Hearing aids  
Special batteries

## THERAPY\*

Physical therapy  
Learning disability  
Psychologist fees for medical care  
Psychiatric care

## VISION\*

Glasses  
Eye exam  
Contact lenses  
Contact solution  
Prescription sunglasses  
LASIK surgery  
Visine and eye drops  
Reading glasses  
Eyeglass repair kits  
Orthokeratology  
Seeing eye dog (buying, training, and maintaining)

## DENTAL\*

Orthodontic  
Dentures/bridge/crowns  
Fluoride treatments & seals  
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Root canals  
Extractions  
Dental x-rays  
Occlusal guards  
Reconstruction/implants

## BIRTH CONTROL DEVICES\*

Condoms  
Prescriptions  
Sterilization

## PHYSICAL IMPAIRMENTS\*

Wheelchair  
Crutches  
Walker  
Custom made orthopedic shoes and inserts

## SPECIAL NEEDS\*

Transportation to and from doctor/hospital (call for current mileage rates and guidelines)

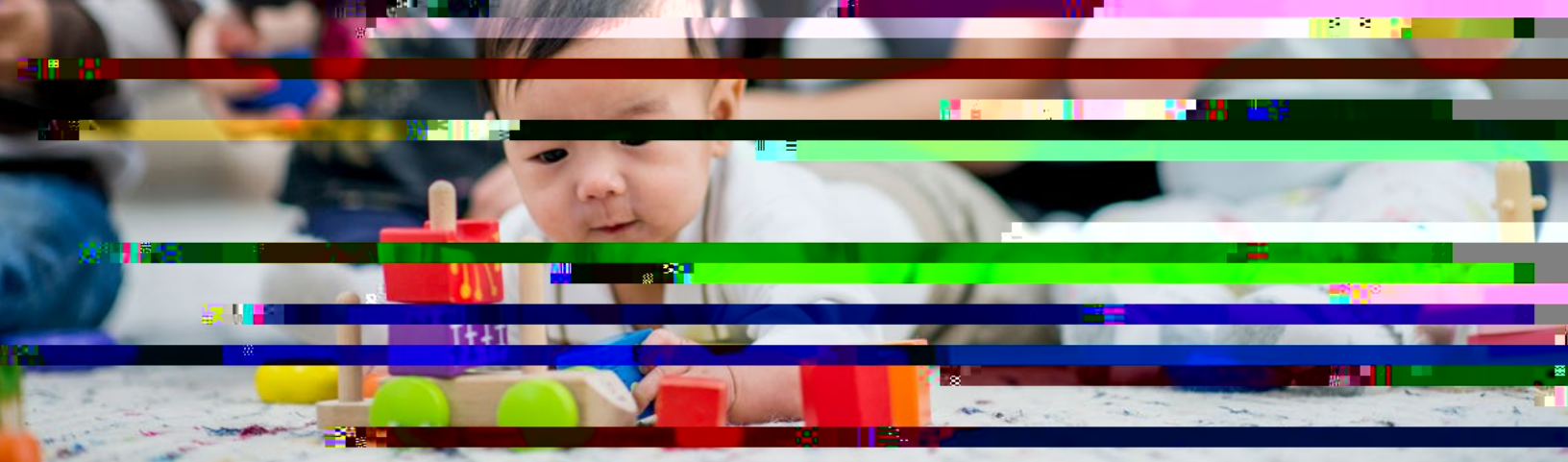
## OVER-THE-COUNTER ITEMS\*

Acid controllers  
Acne medication  
Antibiotic products  
Anti-diarrheas/gas  
Anti-itch/insect bite  
Antiparasitic treatments  
Baby rash creams  
Band-aids  
Carpal tunnel wrist supports  
Cold sore remedies  
Cold/hot packs for injuries  
\$ P V H I D P M E æ V  
Digestive Aids  
Feminine anti-fungal/anti-itch  
Hemorrhoidal preps  
Home pregnancy tests  
Incontinence supplies  
Laxatives  
Liquid adhesive for small cuts  
Nasal strips  
Pain relief  
Sleep aids & sedatives  
Stomach remedies  
Stop smoking programs/items  
Sunscreen

## MENSTRUAL PRODUCTS\*

Tampons  
Pads and liners  
Menstrual cups





# DEPENDENT CARE FSA

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family. Just as with Medical FSA, you save between 15%-40% by not having to pay federal, most state and local taxes, as well as Social Security and Medicare taxes for every dollar elected for Dependent Care FSA.

Unlike a Medical FSA, Dependent Care FSA is a pay-as-you-go account. Funds are not advanced by your employer.

Without an FSA		With an FSA	
Gross taxable wage	\$500.00	Gross taxable wage	\$500.00
Federal, FICA & State Tax	-113.25	Dependent care election (\$5,000 divided by 52 weeks)	
Take home pay	\$386.75	Taxable wage	
Average weekly out-of-pocket medical expenses	-96.15	Federal, FICA & State Tax	
Amount left to spend	\$290.60	Amount left to spend	\$312.36
FSA Tax Savings per week			\$21.78
Annual Savings			\$1132.56

• Assuming 15% Federal tax, 7.65% FICA Tax (Social Security and Medicare)

## DEPENDENT ELIGIBILITY

- You and your spouse must be employed or actively seeking employment or attending school full time.
- Child must be a dependent under 13 years of age and be in your custodial care more than 50% of the calendar year. Once your child turns 13 during the plan year, expenses are no longer eligible for reimbursement.
- A spouse or dependent who is incapable of self-care and regularly spends at least eight hours per day in your home (i.e. an invalid parent).

## SERVICE REQUIREMENTS

- Provider may not be a minor child or dependent for income tax purposes (i.e. an older child).
- Service provider must claim payments as income and comply with state regulations.
- Services must be for the physical care of the child, not for education, meals, etc.
- Overnight camps are not eligible for reimbursement.
- Expenses paid for Pre-K are eligible but kindergarten and higher is not.

If you qualify for the Child Care Credit, the same IRS rules apply. If you have 2 or more children and spend more than \$5,000 for child care, you may have additional tax credits available to you. For more information, refer to IRS Publication No. 503

# ADDITIONAL DETAILS

## PLAN RULES ARE COMPANY SPECIFIC

While this booklet provides general information about a plan, a Summary Plan Description (SPD) containing further details is

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Coordinator, an attorney or accountant.

3FGFS UP UIF 4VNNBSZ 1MBO %FTDSJQUJPO long you have to submit remaining claims after your plan year or coverage has ended.

## CHANGES TO YOUR CONTRIBUTIONS

:PV NBZ DIBOHF ZPVS BOOVBM FMFDUJPO JG change in status (marriage, birth, adoption, death or divorce). The change in status must correlate with the event and be made within 30 days of the event. For example, if the event is a birth, you may increase your election, not decrease it.

## END OF YEAR BALANCE

According to the IRS, money left in your account may become the property of your employer and cannot be returned to you. Please see the Summary Plan Description (SPD) for further details. Most people use all their funds by good planning . . . such as getting a physical, dental checkup or new glasses. Rarely is there ever more than 5% left in the account, and the tax savings more than outweigh this amount.

## ELIGIBILITY

'4" #FOFâUT FOE VQPO UFSNJOBUEJPO PG FNQMPZNEFOU BOE PS participation.

Services must be rendered during your current period of coverage. For new employees entering the plan during the plan year, services must be rendered after your eligibility or election date, whichever is later.

## BASIC CARD

ELIMINATE PAYING OUT-OF-POCKET AND WAIT FOR REIMBURSEMENT.

# "4\*\$ \$BSET DBO CF VTFE BU R 41% UP OF PVU LPX locations including hospitals, physician, EFOUBM PGâDFT QIBSNBDJFT E XJUI TQFDJâD DFSUJâDBUJPO

The IRS regulates the rules regarding eligible expenses. There will be some transactions that need to be substantiated for eligibility. At BASIC, we have an 87% auto substantiate rate for debit card purchases. There are, however, some instances when participants will be required to submit itemized documentation for their BASIC Card purchases.

In all cases, itemized documentation for transactions should be kept.

Debit Cards will be suspended if documentation is not provided.

Debit Card availability is determined by your employer. Please check with your CFOFâUT EFQBSUNFOU UP âOE card is available.



If you have questions at anytime call 800-372-3539 and speak to a BASIC FSA Account Manager.