

What is an FSA?

Flexible Spending Account

The FSA plan allows you to use tax-free income to pay for your family's out-of-pocket medical and dependent care expenses. Set aside some of your gross salary to pay for current qualified medical and child care expenses. Salary redirected to the plan is exempt from tax...
forever.

FLEXIBLE SPENDING ACCOUNTS

IT'S *EASIER* THAN YOU THINK



HOW DOES THE FSA PLAN ACTUALLY SAVE TAXES?

Amounts you contribute to an FSA are not considered income – that’s why you don’t have to pay taxes on it - ever! Otherwise, all of your salary is subject to income taxes that eat up 20 to 40% of your paycheck. If you have predictable medical or child care expenses coming up in the next year, you can save hundreds of dollars in income taxes by paying these expenses through your flex plan!



EXAMPLE:

Sam’s family will have expenses for office visit and prescription copays that will be at least \$400 this year. In addition, his wife plans to get new eyeglasses that will cost \$220 and their son’s braces will cost \$1,200 this year. So, Sam knows he will have at least \$1,820 in medical expenses in the coming year.

Let’s see how using a medical FSA can help save taxes for Sam and his family...

Sam’s net paycheck is lower with the FSA. But don’t forget when he turns in an expense claim, that money will be there for him — tax free. That adds almost \$500 to Sam’s disposable income by the end of the year! This example assumes Sam is in the 15% federal tax bracket. Your tax savings will depend on your personal situation and individual tax bracket.

Sam’s Out-Of-Pocket Medical Expenses

Copays	\$	400
Vision (glasses)	\$	200
Dental (braces)	\$	1,200
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Total per year	\$	1,820

	With FSA	Without FSA
Sam’s gross annual pay	\$25,000	\$25,000
Less: pretax FSA deduction	- 1,820	-0-
Taxable income	\$23,180	\$25,000
Income and FICA taxes withheld	- 2,777	- 3,250
Net pay	\$20,403	\$21,750
Plus FSA reimbursement	+ 1,820	
Disposable income	\$22,223	\$21,750
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TAX SAVINGS	\$473	

HOW DOES THE PLAN WORK?

Easier than you think! First, calculate your predictable medical and dependent care expenses to decide how much to set aside in your FSA for the plan year. Your annual election is divided by the number of pays in the year and deducted equally from each pay before taxes are taken out. Your contributions are deposited into your FSA account and are available throughout the year to cover qualified expenses as you incur them.



HOW DO I GET MONEY FROM MY ACCOUNT?

There are two ways you can use your funds to pay for qualified expenses:

1. If your employer’s plan includes the prepaid FSA debit card, simply use the Card at the point of sale to access your FSA funds.
2. If you do not use the Card for your expense, you can be reimbursed by submitting a completed claim form (available from your employer or online at www.basiconline.com/neo) with a copy of the medical or dependent care receipt showing the amount of expense and date of service. BASIC NEO will reimburse you directly by check or direct deposit to your bank account. Claims can be submitted online, mailed, faxed, or emailed to BASIC NEO.

WHAT IF I DON'T USE ALL THE MONEY IN THE ACCOUNT?

You want to plan carefully and make your election only for the amount of expenses you know you will incur during that plan year. Expenses are "incurred" on the date the service is rendered, not the date the expense was billed or paid. Per IRS regulation, if you have unused money at the end of the year, it will be forfeited unless your employer's FSA plan document includes an optional \$500 carryover feature for the Medical FSA; refer to your enrollment form/website or Summary Plan Description for more information. After the plan year ends, you will have 90 days to submit claims for expenses incurred in the prior year. Use the worksheets on the back of this booklet to estimate your out-of-pocket expenses in the coming year.

HOW CAN I GET MORE INFORMATION AT OPEN ENROLLMENT OR AFTER I ENROLL?

Visit our website at www.basiconline.com/neo for more information. Use the Savings Calculator page to get an instant estimate of what your tax savings would be if you used the plan. After you enroll, you can access your account information online to check account balances, pending claims and payments. Or contact BASIC NEO by phone, fax or email. Our complete contact information is on the back of this brochure.

QUALIFIED DEPENDENT/CHILD CARE EXPENSES

If you pay someone to care for a dependent to enable you (and your spouse if married) to be gainfully employed, you can use the FSA plan to pay these expenses pretax. Up to \$5,000/year can be paid through your Dependent Care FSA. Qualifying expenses include:

- Daycare or babysitting for your child under age 13.
- Services can be provided in your home, or in another location (like a daycare center).
- Service must be for the physical care of your child, not for education.
- Qualified expenses include costs for adult daycare (like a spouse or dependent parent). The adult dependent must reside with you and regularly spend at least eight hours per day in your home.
- Your election cannot be greater than your spouse's income or one half your income, whichever is smaller.
- You must supply the care provider's name, address and Employer Identification Number or social security number with your reimbursement claim.
- You will be reimbursed up to the current balance in your account when submitting a claim.

QUALIFIED MEDICAL EXPENSES

You can be reimbursed for any medical/ dental/vision expense incurred during the plan year for you, your spouse or dependents, such as:

Acupuncture	Lasik eye surgery
Alcohol/drug treatment	Legal abortion
Blood pressure monitors	Obesity program fees (but not the food)
Chiropractors	Office visit copays
Contact lenses and solution	Orthodontia*
Deductibles and coinsurance	Over-the-counter (OTC) drugs & medicines**
Dental expenses (non-cosmetic)	Prescription drugs and copays
Diabetic supplies and insulin	Psychological counseling
Diagnostic scans and tests	Smoking cessation programs and products
Emergency room copay	Vaccines
Fertility treatment/drugs	Vasectomy
Hearing exams, hearing aids & batteries	Vision care expenses
Hospital expenses	
Lab fees	

This list is not comprehensive. These are only a few examples of typical expenses allowed under a Medical FSA. Internal Revenue Code 213 defines expenses eligible for reimbursement. Visit www.basiconline.com/neo for a more complete list of qualified medical services and OTC items.

* Contact BASIC NEO for further information. Because orthodontia expenses typically span multiple FSA plan years, IRS regulations restrict the amount that may be reimbursed in a given year.

** Expenses for Over-the-counter (OTC) drugs and medicine are eligible for payment from a health FSA only if such drug or medicine is prescribed by a doctor. Participants will need a written doctor's prescription for their OTC expenses and will need to submit that for reimbursement for OTC drugs.

EXPENSES NOT ALLOWED:

- ✓ Any expense which has been reimbursed by insurance or another third party.
- ✓ Any expense incurred prior to your participation in the plan.
- ✓ Any medical procedure if it is for cosmetic purposes only (such as liposuction, hair transplants, face lifts, teeth bleaching and veneers, etc.).
- ✓ General wellness/fitness programs, such as Health Club Dues.
- ✓ Insurance premiums and Long Term Care Coverage may not be paid through a medical FSA.
- ✓ Personal care or hygiene items, such as shampoo, toothpaste or toothbrushes, soaps and lotions.
- ✓ Vitamins and nutritional supplements (unless prescribed in writing by a doctor to treat a specific medical condition).



Special Note about Medical FSAs:
Medical claim requests will be paid up to your annual election at any time during the plan year, regardless of the amount you have contributed so far. This feature allows you to be able to budget your medical expenses over the course of the year, but have the money to pay the doctor when you need it!

MEDICAL REIMBURSEMENT ACCOUNT WORKSHEET

Refer to the list on the prior page. List expenses you expect to incur for yourself and your family in the coming year that WILL NOT BE PAID BY INSURANCE.

Medical	Doctor Office Visits	\$ _____
	Well Child Care	_____
	Annual Exams and Physicals	_____
	First Aid Supplies	_____
	Immunizations	_____
	Hospital Costs	_____
	Prescription Drugs	_____
	Over-the-counter Medical Supplies	_____
	Hearing Aids and Batteries	_____
	Other	_____
Dental	Cleanings and Exams	_____
	Fillings and Restorative Work	_____
	Orthodontia (Braces)	_____
Vision	Eye Exams	_____
	Eyeglass Frames & Lenses	_____
	Contact Lenses and Lens Solution	_____
	Lasik Surgery to Correct Vision	_____
Miscellaneous		_____

	Total	\$ _____

DEPENDENT/CHILD CARE REIMBURSEMENT ACCOUNT WORKSHEET

Only expenses incurred to enable you to work qualify. IRS limits the dependent care election to \$5,000 per family if your tax filing status is single, head of household, or married filing jointly, or \$2,500 if married filing separately. Your election is further limited to the lesser of (1) your earned income, or (2) your spouse's earned income. Thus, if your spouse is not employed, you cannot use the account unless your spouse is unable to be employed because they are a full time student or disabled.

Day Care and Babysitting	\$ _____
Preschool Expenses <i>(but not kindergarten tuition!)</i>	_____
After School Care Programs	_____
Day Camp	_____
Other Eligible Care	_____
Total	\$ _____

Should you use the FSA, or take a child care credit on your tax return?

The same dependent care expenses that qualify for the FSA are eligible for a federal income tax credit. You cannot use both tax advantages for the same expenses, though you may be able to take a tax credit for expenses you do not pay through the FSA. Other tax credits, such as the Earned Income Credit (EIC) can be affected by using the FSA. Depending on your income level, the EIC may either increase or decrease if you make salary reductions to contribute to the FSA plan. Consult a tax advisor to confirm which would be best for you.

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CAN I CHANGE MY ELECTION DURING THE PLAN YEAR?

You may be able to change your Medical FSA election during the plan year if you experience a "change in status" event (see list below) and if the change in election is consistent with the event. The Dependent Care FSA is very flexible! You may change that election because of a change in status event, or if you have a change in the cost or care provider. Requests to change your election must be submitted to your employer within 30 days of the qualifying "change in status" event.

WHAT IS AN EVENT THAT MAY ALLOW ME TO CHANGE MY ELECTION MID-YEAR?

The following "change in status" events may permit an employee to change his or her FSA election outside of open enrollment:

- ✓ A change in the employee's legal marital status.
- ✓ A change in the number of tax dependents.
- ✓ Termination or commencement of employment by the employee, spouse or dependent.
- ✓ A change in employment status that results in gaining or losing eligibility for health coverage.
- ✓ Medicare or Medicaid entitlement for the employee, spouse or dependent.
- ✓ A change in cost or coverage (for Dependent Care accounts only).

Still have questions?

Call or E-Mail us! We can answer your questions about your personal situation and give you a better idea of how FSAs can benefit you.

800-775-3539 ■ admin@BASICNEO.com

Or log onto our website at

www.basiconline.com/neo

for more information.



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