

FLEXIBLE SPENDING ACCOUNTS

TAX EXAMPLE

Flexible Spending Accounts are governed by Section 125 of the IRS Tax Code

WITHOUT A SECTION 125 PLAN		WITH A SECTION 125 PLAN	
Annual Salary	\$ 35,000	Annual Salary	\$ 35,000
Federal Income Tax (15%)	- 5,250	Medical Reimbursement	- 2,500
State Income Tax (3%)	- 1,050	Dependent Reimbursement	- 5,000
Social Security (7.65%)	- 2,678	Taxable Income	<u>\$ 27,500</u>
Net Income	<u>\$ 26,022</u>	Federal Income Tax (15%)	- 4,125
Medical Expenses	- 2,500	State Income Tax (3%)	- 825
Dependent Care Expenses	- 5,000	Social Security (7.65%)	- 2,104
Spendable Income	<u>\$ 18,522</u>	Spendable Income	<u>\$ 20,446</u>

Savings = \$1,924!

Dependent Day Care Reimbursement Account

This list is not meant to be all-inclusive. You can get a more complete list from the IRS or a tax advisor.

Eligible Expenses - COVERED

- ✓ Services provided outside your home by anyone other than your spouse, your dependent for income tax purposes or one of your children under age 19
- ✓ Services in a day care center that complies with all state and local regulations
- ✓ Services of a housekeeper whose duties include, in part, providing for a qualified dependent
- ✓ Summer day camp

Ineligible Expenses – NOT COVERED

- ✓ Care provided by your spouse, your dependents for income tax purposes or your children under age 19
- ✓ Expenses for which you claim a dependent care tax credit on your federal income tax return
- ✓ Housekeeping expenses not related to dependent care
- ✓ Overnight camp

Health Care Reimbursement Account

This list is not meant to be all-inclusive. You can get a more complete list from the IRS or a tax advisor.

Eligible Expenses - COVERED

- ✓ Deductible, Co-payment and Coinsurance Amounts
- ✓ Expenses not covered by your other health care plans
- ✓ Routine physical examinations
- ✓ Braces and other orthodontia
- ✓ Prescription medications, including dietary supplements, over-the-counter medications* and medical supplies
- ✓ Ambulatory or other transportation services
- ✓ Eye exams, glasses, contacts, corrective vision procedures such as RK, lasik and laser surgery and Seeing Eye dogs
- ✓ Supplies such as saline and cleaning solution
- ✓ Hearing examinations and aids
- ✓ Psychoanalysis, psychiatric therapy, learning disability counseling, inpatient care and treatment for a mental or physical condition, treatment for drug abuse or alcoholism – including meals and lodging if necessary for treatment
- ✓ In-home nursing services if recommended by a doctor
- ✓ Special medical equipment such as wheelchairs, crutches, and orthopedic shoes needed because of a medical problem

Ineligible Expenses – NOT COVERED

- ✓ Insurance Premiums, including those for Health Plans
- ✓ Any expense covered by a health care plan
- ✓ Cosmetic treatment and related prescription drugs
- ✓ Marriage or family counseling
- ✓ **Over the counter drugs and medicines without a physician's prescription.**
- ✓ Physical fitness expenses, such as health club, YMCA or other dues
- ✓ Social activities such as dance lessons or classes, even if advised by your doctor
- ✓ Maternity clothes, diaper services and related items
- ✓ Funeral and burial expenses
- ✓ Household or domestic help – even if advised by your doctor, custodial care in an institution
- ✓ Transportation expenses to and from work, even though a physical condition may require special transportation
- ✓ Meals and lodging while away from home for medical treatment or for the relief of a specific health condition

*OTC drugs and medicines require a physician's prescription.