



# Flexible Benefits Plans

*An Employee Advantage: Tax Savings*

# FLEXIBLE BENEFITS PLANS

Flexible Benefits Plans are often referred to as Section 125 Plans, Cafeteria Plans or Flexible Spending Accounts. These plans allow you to pick and choose from a variety of insurance benefits and reimbursement accounts that best meet your individual needs. Many of these benefits can be placed under the Cafeteria Plan, which means they will be taken out of your paycheck on a pre-tax basis. When you use pre-tax dollars to pay for these expenses, you can realize substantial tax savings. Employer-sponsored, payroll-deducted insurance premiums can qualify for your Cafeteria Plan. You may also save tax dollars by participating in medical reimbursement and dependent care reimbursement plans. The following example illustrates the potential tax savings:

With the Plan - <i>Pre-Tax</i>		Without the Plan - <i>Post-Tax</i>
\$2,000	Monthly income	\$2,000
-100	Pre-tax health care expenses	-0-
\$1,900	Taxable salary	\$2,000
-400	FICA, Federal, State taxes	-500
\$1,500	Net income	\$1,500
-0-	Post-tax health care expenses	-100
\$1,500	Take-home pay	\$1,400
<b>\$100 Tax Savings</b> (For illustration purposes only)		

## Insurance Premiums

Employer-sponsored, payroll-deducted insurance premiums, including medical, dental, disability, accident, cancer and group term life insurance premiums, can qualify. A Flexible Benefits Plan allows insurance premiums to be deducted on a pre-tax basis instead of after taxes. You may be automatically enrolled in this plan. If you do not want to participate, please let your employer know you do not want your premiums deducted on a pre-tax basis.

## Medical Reimbursement Account

Medical Reimbursement Accounts are used to reimburse expenses that you incur for medical treatment for yourself, your spouse, and eligible dependents. Eligible medical expenses include deductibles, co-pays, co-insurance, prescriptions, dental and vision expenses that are NOT reimbursable under any medical plan. You and your dependents do not have to be enrolled in your employer's medical plan to participate in the Medical Reimbursement Account. Your employer determines the maximum limit for your contributions.

## Dependent Care Reimbursement Account (DCA)

The Dependent Care Reimbursement Account allows employees to contribute pre-tax dollars to pay for daycare expenses for eligible children and adults. DCA is for children who are under the age of 13 when care is provided. The maximum contribution per calendar year is \$5,000 if you are filing a joint tax return or \$2,500 if separate returns are filed. The cost of pre-k, nursery school, before and after school and day camp can qualify. To qualify, daycare expenses must allow an employee and spouse (if married) to work or look for work.

## The DailyAccess Benefits Card

The DailyAccess benefits card uses debit card technology to simplify qualified health-related purchases wherever MasterCard® is accepted. You can have approved health care expenses quickly and automatically deducted from your pre-tax benefits accounts. Qualified point-of-sale locations include hospitals, physician and dental offices, pharmacies, optometrists, home health services, and dependent care facilities. Participants may use one card to access all of their accounts. If your daycare or medical providers do not accept MasterCard, you may file for reimbursement by submitting a claim form and detailed receipt to DailyAccess.



**You must save all receipts.** DailyAccess is required by the IRS to request verification if expenses do not match your company's co-payment amounts for medical or prescription services. The convenience of the card is that you do not have to wait for reimbursement, but you do have to maintain proof of your expenses.

# ELIGIBLE EXPENSES

## Approval for Eligible Expenses

The retailer's computerized point of sale system identifies eligible health care purchases by comparing the inventory control information (UPC or SKU number) for items being purchased to a pre-established list of eligible medical expenses. The IRS requires this type of Inventory Information Approval System (IIAS) to determine eligible expenses. The list is restricted to "eligible medical expenses" as described in Section 213(d) of the Internal Revenue Code (including eligible non-prescription items). The eligible medical expenses are totaled and sent to the payment card issuer's system, which approves the payment subject to coverage under the plan. This system reduces the number of times you will have to provide receipts or other documentation after using the benefits card.

### Medical Expenses

Alcohol & drug rehabilitation	\$ _____
Ambulance	\$ _____
Chiropractors	\$ _____
Co-payments	\$ _____
Crutches	\$ _____
Deductibles	\$ _____
Diagnostic fees	\$ _____
Doctor visits	\$ _____
Hearing devices and batteries	\$ _____
Laboratory fees	\$ _____
Obstetrical expenses	\$ _____
Orthopedic devices	\$ _____
Oxygen	\$ _____
Physician fees	\$ _____
Prescriptions	\$ _____
Psychiatric care	\$ _____
Psychologist fees	\$ _____
Routine check-ups	\$ _____
Smoking cessation programs	\$ _____
Wheelchair	\$ _____
X-rays	\$ _____

### Dental Expenses

Crowns and bridges	\$ _____
Dental exams & X-rays	\$ _____
Dentures	\$ _____
Fillings	\$ _____
Oral surgery	\$ _____
Orthodontic expenses (within plan year)	\$ _____

### Over-the-Counter Purchases NOT Requiring a Prescription Expenses:

Adhesive bandages	\$ _____
Birth control	\$ _____
Braces & supports	\$ _____
Contact lens supplies & solutions	\$ _____
Diagnostic tests & monitors	\$ _____
Elastic bandages & wraps	\$ _____
First aid supplies	\$ _____
Insulin & diabetic supplies	\$ _____
Reading glasses	\$ _____
Wheelchairs, walkers, canes	\$ _____

### Over-the-Counter Purchases Requiring a Prescription Expenses:

Acid controllers	\$ _____
Allergy & sinus	\$ _____
Antibiotic products	\$ _____
Anti-itch treatments	\$ _____
Baby rash ointments/creams	\$ _____
Cold sore remedies	\$ _____
Cough, cold & flu	\$ _____
Digestive aids	\$ _____
Laxatives	\$ _____
Motion sickness	\$ _____
Pain relief	\$ _____
Respiratory treatments	\$ _____
Sleep aids & sedatives	\$ _____
Stomach remedies	\$ _____

### Dependent Daycare Expenses

Children	\$ _____
Adult	\$ _____

### Vision Care Expenses

Contact lenses & solutions	\$ _____
Eye surgery (cataracts, LASIK, etc.)	\$ _____
Eyeglasses prescribed by your doctor	\$ _____
Vision exams	\$ _____

### Annual Expenses and Tax Savings

Total Medical Expenses	\$ _____
Total OTC Prescription Expenses	\$ _____
Total OTC No Prescription Expenses	\$ _____
Total Dental Expenses	\$ _____
Total Vision Care Expenses	\$ _____
Total Dependent Day Care Expenses	\$ _____
<b>TOTAL EXPENSES</b>	<b>\$ _____</b>
Tax Bracket	_____ %
<b>ANNUAL TAX SAVINGS</b>	<b>\$ _____</b>

### Estimated Tax Table

If your annual earnings are:

Less than \$30,000	25%
\$30,000 to \$40,000	29%
\$40,000 to \$70,000	31%
Greater than \$70,000	33%

*These tax rates are estimated based on national averages and may not reflect the actual tax rate. These rates are based on Social Security, federal and state income taxes.*

# FREQUENTLY ASKED QUESTIONS

## **Are over-the-counter (OTC) expenses covered?**

Effective January 1, 2011, over-the-counter drugs and medications will require a doctor's prescription to be eligible for reimbursement. You will be unable to use your benefits card for these purchases. To be reimbursed for these items, you will need to file a claim with the receipt and doctor's prescription.

## **Will these plans affect my Social Security benefits?**

Yes. Your Social Security benefits will be reduced slightly because you are not paying Social Security taxes on the portion of your income that is taken pre-tax.

## **What expenses are NOT eligible or allowable?**

Unless deemed medically necessary by a licensed physician, the following types of expenses are not eligible under the flex plan: family and marital counseling, cosmetic procedures, cosmetic face creams, weight loss drugs, herbal remedies, vitamins and minerals.

## **How will I receive money from my reimbursement accounts?**

Each time you use your DailyAccess benefits card, swipe it and save the receipt. That's all you need to do. If you pay out of pocket for medical or daycare expenses, you must submit a claim with a detailed receipt to DailyAccess for processing. Reimbursements can be processed by check or electronic deposit into your bank account, if available on your employer's plan. Medical reimbursement is available immediately up to the annual maximum benefit you elected for the year. Dependent care reimbursement is only available up to the total amount you have contributed to date in your account.

## **Can I change my contributions during the year?**

Your contribution election for the year cannot be changed unless you have a change in family status, such as marriage, birth, divorce, death, and adoption, or if there is a change in employment for you or your spouse. Any change in election must be consistent with your family status change. Please refer to your Summary Plan Description for additional details.

## **What if I don't use all the money I have elected for the year?**

You need to review your expenses carefully and make a conservative election by including only those expenses you know will be incurred. These are often called "use or lose it" plans; once the plan year has ended, you cannot access the remaining funds in the account.

## **Can I take a tax deduction for Dependent Care or Medical Expenses if I am participating in a Flexible Benefits Plan?**

No. Dollar-for-dollar, the amount you deposit in your dependent care or medical reimbursement account reduces the amount you can claim as a credit on your tax return. You should consult your tax advisor to determine if a tax credit for medical or dependent care expenses could be more favorable.

## **How can I check my account balance?**

You may check your account balance on our website, [www.benefitspaymentsystem.com](http://www.benefitspaymentsystem.com), 24 hours a day, 7 days a week. Each time you receive a reimbursement check, it will reflect your current account information. You will also receive a reminder notice sixty (60) days before the end of the plan year with your account information.

## **Can I still access my account if I terminate employment?**

When you terminate employment, you may be able to elect to continue participating in your reimbursement accounts on an after-tax basis through COBRA.\* If you do not elect COBRA, your coverage will end on your date of termination. Only expenses incurred during your employment period will be reimbursed, unless COBRA is elected.

\*Consolidated Omnibus Budget Reconciliation Act

Log on to your account by visiting [www.benefitspaymentsystem.com](http://www.benefitspaymentsystem.com).



*If you have questions about your Flexible Benefits Plan,  
please contact your DailyAccess Flex Account Representative:  
toll free: 877-859-5735 ♦ e-mail: [flex@dailyaccess.com](mailto:flex@dailyaccess.com) ♦ fax: 877-859-5736*

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