FLEXIBLE SPENDING ACCOUNT QUICK REFERENCE GUIDE

MEDICAL REIMBURSEMENT • DEPENDENT DAY CARE REIMBURSEMENT

www.flex125.com

Medical Reimbursement Eligible Expenses

A Medical Reimbursement Account may be used to pay healthcare expenses not covered under any other plan. Qualified expenses may include:

- Deductibles and other payments you are responsible for under your medical plan
- Charges that may not be covered by your medical plan, such as Dental, Vision, Hearing, Routine Exams and eligible over-the-counter drugs.
- Durable Medical Equipment
- Qualified medical products or services prescribed by your doctor for which you must pay out-of-pocket.

You can obtain a more detailed list of eligible expenses by visiting AmeriFlex's website as well as referring to IRS Publication 502 for a complete list of deductible medical expenses eligible for reimbursement.

Dependent Day Care Reimbursement Eligible Expenses

The Dependent Day Care Reimbursement plan may be used for expenses that meet the following qualifications:

- The care of the dependent must enable you and your spouse to be employed.
- The amount to be reimbursed must not be greater than your spouse's income or your income, whichever is less.
- The child must be under 13 years old and must be your dependent under federal tax rules.
- The services may be provided in your home or another location, but not by someone who is your minor child or dependent for income tax purposes (for example, an older child).
- If the services are provided by a day care facility that cares for six or more children simultaneously, the facility must comply with state and local day care regulations.
- Services must be for the physical care of the child, not for education, meals, etc.

Note: Expenses for overnight camps and kindergarten are not eligible for reimbursement. Qualified dependent care expenses also include costs for the care of a spouse or dependent who is incapable of self-care, regularly spends at least eight hours per day in your home, has gross income below the exemption amount in Code 151, ($3,500 for 2008), you provide over half of the individual's support, and they are not anyone else's qualifying child (e.g., an invalid parent). The same rules that apply for child care apply to the care of other dependents, except the dependent need not be under age 13.

DCSA
MFSA

Filing a Claim

To be reimbursed for any expense, you must first file a claim. You can file a claim in two ways, either manually or electronically.

Manual

To file a claim manually, simply complete a claim form and mail or fax it to AmeriFlex along with substantiation of the claim. Acceptable forms of substantiation include itemized receipts and the Explanation of Benefits (EOB) from your insurance carrier. Information required on all claim requests include: the date of service, the product or service description, prescription drug names and numbers, the total dollar amount being requested, the service provider's name, and, in the case of dependent day care requests, the provider's signature and tax ID or Social Security number. When you submit a claim by fax or mail, your reimbursement will either be mailed or direct-deposited into your bank account, whichever you prefer.

Note: Out-of-pocket Orthodontia expenses are eligible for reimbursement. However, depending on how your FSA is designed, your plan may reimburse advanced or "up-front" expenses for orthodontia made through a payment plan or it may reimburse only after the expense has been incurred and services rendered. Please contact your Employer to see how your plan reimburses for orthodontic care. Prepaid expenses are subject to proof of payment, (i.e., cancelled check, bill from provider indicating payments or credit card receipt) and require that a copy of the orthodontia treatment contract, including total fee, down payment, monthly fees and the estimated length of treatment, must be submitted with the initial claim.

Electronic

To eliminate the hassles of paper, faxing, and the time delays of mailing, simply use your AmeriFlex Convenience Card®.

Your AmeriFlex Convenience Card® is a MasterCard® debit card providing electronic access to your FSA funds. Simply present your card for payment at an eligible merchant or provider and the claim is paid! When your card is swiped, the system qualifies the expense to be sure the expense and provider are eligible. Next, it determines if there is an adequate/available balance in your account. Finally, the merchant is paid and the amount of the charge is deducted from your account. It is important to remember that back-up documentation may be required, so you should save your receipts. For more information on how and where to use your card, please refer to the documentation received with your card, or contact AmeriFlex's Customer Service Department.

AMERIFLEX®

What if I want to make a change to my election?

The latest set of cafeteria plan regulations develops a process for determining if a participant is allowed to make a change in election during the plan year.

A change in status is an event that falls into one of the following categories:

- Change in provider (Dependent Day Care Reimbursement only)
- Change in cost of day care (Dependent Day Care Reimbursement only)
- Change in legal marital status
- Change in number of dependents
- Change in employment status
- Dependent satisfies (or ceases to satisfy) requirements for eligibility

The participant's election change must be consistent with the status change event. A change is consistent with the event for Medical Reimbursement Accounts if the following occurs:

- The employee, spouse, or dependent is gaining or losing eligibility for the Medical Reimbursement Account.
- The election change corresponds with the gain or loss of a coverage.

Will pretaxing have an impact on Social Security Benefits?

Any reductions in your taxable pay may also lead to a reduction in your Social Security benefits; however, for most employees, the reduction in Social Security benefits is insignificant when compared to the value of paying lower taxes now.

What do I need to do when I file my taxes?

On your tax return you must report the correct name, address and taxpayer ID number (TIN) of your dependent care provider to claim exclusion for employer-provided dependent care assistance benefits or the dependent care credit.

If your dependent care provider is exempt from federal income tax, you are not required to report the TIN on your tax return. However, you must report the correct name and address of the exempt provider and you must write "tax-exempt" in the space provided for reporting the TIN.

Tax Credits vs. Dependent Day Care Reimbursement Account

If you participate in a Dependent Care Reimbursement Account, you cannot claim credits on your income tax return for the same expenses. Also, any amount reimbursed under this plan will reduce the amount of other dependent care expenses that you can claim for purposes of tax credits. Before you participate, you should evaluate whether the federal income tax credit will save you more money than the Dependent Day Care Reimbursement Account.

The relative tax advantages of each option, as well as possible effects of each one on your tax liability and your ability to take advantage of the Earned Income Tax Credit, may depend on the option you choose as well as your personal tax situation.

Which approach produces the greatest tax benefits?

As a general rule of thumb, if a taxpayer has no income other than W-2 wages, uses the standard deduction for calculating federal income taxes, and is eligible for the EIC, participating in a Dependent Day Care Reimbursment Account will usually produce the greatest overall tax benefit. However, there are two instances where the Tax Credit will often produce the greater benefit. When the employee: (1) has a gross W-2 income of about $35,000 to $39,000, has only one qualifying individual; and incurs less than $3,000 in dependent care expenses; or (2) has a gross W-2 income of about $12,000 to $15,000 or less.

If you are unsure about which option to choose, you should consult your tax or financial advisor.

For more information, refer to the following Federal Tax forms and publications (available at www.irs.gov).

- Publication 503 (Child and Dependent Care Expenses)
- Form 2441 (Child and Dependent Care Expenses)
- Form 1040 Schedule EIC and IRS Publication 596 (EIC)
- Form 8812 and IRS Publication 972 (Child Tax Credit)