

## This Flexible Spending Account provides financial security and reduces your income tax bill

The Flexible Spending Account reduces your income tax bill and increases your family's security. HOW? By allowing you to pay for certain expenses – like unreimbursed health care costs and dependent care expenses – with pre-tax dollars.

Money you normally use to pay taxes can now pay for your family's increased benefits.

The Flexible Spending Account qualifies under Section 125 of the Internal Revenue Code. This qualification means you are entitled to pay for selected benefits with pre-tax salary dollars.

What does that mean to you? It means you only pay income taxes and social security taxes on the amount of your income after these benefits are paid.

## Here's How You Save Tax Dollars

The more you make, the more you pay. As your paycheck increases, your taxes increase. But the reverse is also true. If you reduce your "taxable" income, you reduce your taxes. And that's where the Flexible Spending Account helps you.

The Internal Revenue Service allows you to pay for certain expenses with pre-tax salary dollars. These expenses include medical insurance premiums, unreimbursed medical expenses, and child or dependent care costs.

## Medical Insurance Premiums

Any premiums you pay for yourself or dependent family medical and dental coverage for the Whitman College healthcare plan are automatically paid under the Flexible Spending Account with pre-tax dollars.

## Unreimbursed Medical Expenses

Unreimbursed medical expenses that can be paid under the Flexible Spending Account with pre-tax dollars are:

- Group medical and dental insurance plan deductibles and co-pays.
- Out-of-pocket expenses not covered by your major medical insurance plan.
- Expenses, such as x-rays, birth-control pills, prescription drugs, chiropractors, crutches, wheelchairs, dental fees, eye glasses & contacts (including examination fees), insulin & diabetic supplies, routine physicals, physician recommended weight-loss programs, stop-smoking programs, and some over-the-counter items (used to treat a specific illness or injury), among others.
- The maximum annual contribution is \$2,500.
- You must be eligible for the College's medical benefit but you do not have to be enrolled in the College healthcare plan to take advantage of the Flexible Spending Account accounts.

## Child or Dependent Care Assistance

The Flexible Spending Account allows you to submit **daycare expenses** for eligible children and/or other dependents (if you claim them as dependents for income tax purposes). These expenses must be incurred to allow you and your spouse to work, unless your spouse is a full-time student or incapable of self-care.

**Daycare expenses** are covered if the dependent is under 13 or is physically or mentally incapable of self-care. An incapacitated dependent who is over 15 must regularly spend at least eight hours a day in your household to qualify.

Eligible childcare expenses can be provided inside or outside your home. However, the service cannot be provided by a person you claim as a dependent. If the service is provided by a day care facility with more than six children, it must be state licensed. Preschool costs for your child may also qualify for reimbursement.

House keeping expenses are reimbursable if provided by a full-time live-in housekeeper who cares for your dependent children.

The amount of child or dependent care expenses reimbursed cannot be more than \$5,000 for those filing jointly, or filing as single - head of household. The amount for individuals filing separately is \$2,500. Also, dependent care expenses reimbursed cannot be applied toward the federal income tax credit for dependent care. Consult with your Accountant as to which is most advantageous to you.

### An Example:

How your pre-tax contributions can work for you.

Suppose an employee who is married with three exemptions earns \$20,000 a year. He decides to contribute \$1,500 to the Flexible Spending Account for premiums and expenses.

	After Tax	Pre-Tax
Annual Pay	\$20,000	\$20,000
FSP Premiums	-0	-1,500
	<u>\$20,000</u>	<u>\$18,500</u>
Federal & Soc. Sec. Tax	-4,363	-3,716
Expenses Paid Out of Spendable Pay	-1,500	-0
	<u>\$14,137</u>	<u>\$14,784</u>
Net Spendable Income		
Increase in Spendable Income		\$647.00

Remember, this is just an example. Your individual tax savings will depend on your salary/income, the amount you contribute, and the exemptions you claim.

### How Do I Enroll?

Eligible employees may enroll during the initial benefit enrollment period for new employees, during open enrollment each year, or within 31 days of a change in family status that would qualify them to use the plan, i.e., the birth of a dependent child would allow you to enroll in the dependent care plan. Enrollment forms are available from the Human Resources Office or the Whitman home page at: [http://www.whitman.edu/offices\\_departments/hr/](http://www.whitman.edu/offices_departments/hr/)

**The College is making a valuable, IRS-approved benefit package available to you. Don't miss the opportunity to reduce your taxes.**

### Important Points

It is important to estimate carefully: any money in your account that is not used is forfeited at the end of each plan year. Unused funds in an account cannot be carried over to the next year. **However**, IRS Notice 2005-42 will give FSA participants using the healthcare and dependent care reimbursement accounts more time to incur and spend their monies. Under the old rules, any unspent funds at the end of the plan year (December) would be forfeited. Now the Whitman plan will allow a two-month extension period for incurring receipts. **EXAMPLE:** Each plan year runs January 1<sup>st</sup> through December 31<sup>st</sup>. Under the new ruling you can use receipts for services incurred in January and February of the following plan year. There will be 31 days after this extension to submit receipts for reimbursement.

If you enroll later in the plan year, your personal plan year would be from the time of enrollment through the end of the plan year as described above.

If you terminate from Whitman College your receipts must be incurred during the time you were employed for that particular year. Receipts incurred after termination will not be reimbursed.

You cannot use the monies from one category to pay for expenses in another category, i.e dependent care money can not be used for reimbursement of medical expenses.

**These restrictions conform to IRS regulations.**

Generally, the amount set aside must remain the same throughout the year. The only time you may change the amount, during the year is if you have a change in family status consistent with the requested enrollment change. A change in family status includes birth or adoption of a child, marriage, divorce, death, or a change in your employment or your spouse's employment.

Be conservative in your estimate. Consult with your Universal Plan representative at: 1-800-222-0901.

You must complete a new enrollment form for the Flexible Spending Account accounts each plan year during the December open enrollment period. Participation begins January 1.

## Filing Claims

When you incur a health care expense that is not covered by your health care plan, fill out a Flexible Spending Account Expense Voucher, attach the itemized bill showing the date and type of service incurred, and send it to the address shown on the form. Please keep a copy of your expense voucher and itemized receipts. Follow the same steps for dependent care expenses. Claims may also be submitted by FAX.

If you are enrolled in the Whitman healthcare plan, check the Explanation of Benefits (EOB) that is mailed to you by Premera when a claim has been processed. The EOB can be used to calculate any amounts you have to pay due to deductibles, coinsurance, or other plan provisions. If there are out-of-pocket costs, fill out a Flexible Spending Account Expense Voucher, attach the EOB, and send it to the address on the form. Remember to keep a copy for your records.

If you have questions, call your Universal Plan representative at: 1-800-222-0901.

## Individual Insurance Premium Reimbursement

Whitman College offers a Flexible Spending Account option for **Individual Insurance Premium Reimbursement**. This account is in addition to the Healthcare Reimbursement account for unreimbursed medical expenses and the Dependent Care Reimbursement account for daycare expenses of dependent children or other dependents that are offered under the Section 125 “cafeteria plan”.

IRS Code Section 106 allows for individual accident or health insurance premiums to be paid with pre-tax dollars in certain circumstances.

1. This plan option applies to health and accident insurance premiums paid directly out of pocket by the employee to the insurance company on behalf of the employee or the employee’s dependent(s). Premiums paid through the Whitman College plan are already paid with pre-tax dollars. Life insurance premiums are not eligible.

2. Premium elections (monthly amount to be deducted from paycheck) may be made during the initial benefit enrollment period for new employees, and/or thereafter during the annual open enrollment period in December of each year. Premium elections are irrevocable during the calendar year unless there is a qualified “change in family status” to support the change. Premium elections may be changed mid-year if there is a change in the amount of premium paid.

3. The policies may not feature a “return of premium” benefit.

4. Employees are responsible for paying their insurance premiums directly. A copy of the premium notice/billing with proof of payment must be submitted to Universal Plan Administrators to receive premium reimbursement. Reimbursement checks will generally be available with payroll checks each month.

**Whitman College  
Flexible Spending Account Worksheet**

**Your Eligible Expenses**

**1. Eligible Health Care Expenses**

Examples

\$ \_\_\_\_\_

Deductibles

Out-of-Pocket costs for expenses that will not be covered under any health plan or are subject to coinsurance cost sharing

\_\_\_\_\_

Hospital Expenses

\_\_\_\_\_

Physician Expenses

Dental and orthodontia costs, i.e., exams, braces, etc.

\_\_\_\_\_

Vision and eye care, i.e.,

exams, glasses, contacts

\_\_\_\_\_

Cosmetic surgery, medically recommended

\_\_\_\_\_

Psychiatric counseling

\_\_\_\_\_

Chiropractic and acupuncture treatment

\_\_\_\_\_

Prescription drugs, insulin, &

Contraceptives

\_\_\_\_\_

Drug, or alcohol treatment

Other health care related expenses

**Total Estimated Eligible Health Care Expenses** (\$2,500 maximum)

\_\_\_\_\_

**Estimated Monthly Contribution**

(divide by 12)

\_\_\_\_\_

**2. Total Eligible Dependent Care Contributions**

Estimate the total amount you pay during the year for dependent care expenses.

Then enter how much of that amount you want to redirect into the Dependent Care account. (\$5,000 maximum filing jointly, or single head of household; \$2,500 maximum filing separately. )

\_\_\_\_\_

**Estimated Monthly Contribution**

(divide by 12)

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