

FSA GUIDE



WESTERN MICHIGAN UNIVERSITY
Human Resources



TAX SAVINGS FOR

Medical and Dependent Care Expenses



WHAT IS A

FLEXIBLE SPENDING



Flexible Spending Accounts (FSA) are part of Section 125, established by the IRS. Section 125 allows employees to set aside money for future medical and child care costs on a pre-tax basis.

A Medical FSA can be used to cover:

- Insurance deductibles
- Co-payments and coinsurance
- Prescriptions
- Dental or vision expenses

SAVINGS

You save between 15%-40% by not having to pay federal, most state and local taxes, as well as Social Security and Medicare taxes for every dollar elected for an FSA.

The savings really add up.



Without an FSA		With an FSA	
Gross taxable wage	\$500.00	Gross taxable wage	\$500.00
Federal, FICA & State Tax	-113.25	Group Insurance premium contribution	-40.00
Group Insurance premium contribution	-40.00	Average weekly out-of-pocket medical expenses	-50.00
Take home pay	\$346.75	Taxable wage	\$410.00
Average weekly out-of-pocket medical expenses	-50.00	Federal, FICA & State Tax	-92.86
Amount left to spend	\$296.75	Amount left to spend	\$317.14
FSA Tax Savings per week			\$20.39

• Assuming 15% Federal tax, 7.65% FICA Tax (Social Security and Medicare)

ACCOUNT?



MEDICAL FSA



Below is an example of how a current participant calculated the amount they elected for medical FSA. Be sure to base YOUR estimate on known expenses.

The full amount of your medical election is available for reimbursement upon the first day of your plan year.

When you incur an eligible out-of-pocket expense, submit your itemized documentation to BASIC and receive a tax free reimbursement.

	Charges	Savings
Deductible	\$500	\$113
Co-pays	\$450	\$101
Prescriptions	\$480	\$108
Contacts/Vision services	\$220	\$49
Dental	\$100	\$22
Over-the-counter items+	\$75	\$16
Total	\$1795	\$409

- Assuming 15% Federal tax, 7.65% FICA Tax (Social Security and Medicare)
- + Over-the-counter items require a letter of medical necessity

IRS regulations govern the eligibility of claims which include those that are not fully covered by a health care plan and are prescribed by a physician or other licensed professional, primarily for preventing, treating or mitigating a physical defect or illness. The IRS does not allow reimbursement for the following: cosmetic surgery, insurance premiums, teeth bleaching / whitening, nutritional supplements/vitamins, marriage counseling, debt counseling, eyeglass sun clips and prepayment of services. For more details, refer to IRS Publication No. 502.

QUALIFIED EXPENSES

IRS regulations govern the eligibility of items and claims. As a Flex Administrator, BASIC helps ensure that you and your employer stay within these regulations.

MEDICAL, DENTAL & VISION

- Co-pays
- Co-insurance
- Deductibles

MEDICAL*

- Acupuncture
- Chiropractor
- Podiatrist
- Doctor fees
- Office visit
- Prescriptions
- Hospital bills
- Laboratory fees
- Medic alert bracelet
- Dermatologist
- Immunizations
- Obstetrical expenses
- Routine physicals
- X-rays
- Well baby checkups

DIABETIC SUPPLIES*

- Insulin
- Glucometer
- Syringes/Needles
- Test Strips

HEARING*

- Hearing exam
- Hearing aids
- Special batteries

THERAPY*

- Physical therapy
- Learning disability
- Psychologist fees for medical care
- Psychiatric care

VISION*

- Glasses
- Eye exam
- Contact lenses
- Contact solution
- Prescription sunglasses
- LASIK surgery
- Vision and eye drops
- Reading glasses
- Eyeglass repair kits
- Orthokeratology
- Seeing eye dog (buying, training, and maintaining)

DENTAL*

- Orthodontic
- Dentures/bridge/crowns
- Fluoride treatments & seals
- Cleanings and fillings
- Root canals
- Extractions
- Dental x-rays
- Occlusal guards
- Reconstruction/implants

BIRTH CONTROL DEVICES*

- Condoms
- Prescriptions
- Sterilization

PHYSICAL IMPAIRMENTS*

- Wheelchair
- Crutches
- Walker
- Custom made orthopedic shoes and inserts

SPECIAL NEEDS*

- Transportation to and from doctor/hospital (call for current mileage rates and guidelines)

OVER-THE-COUNTER ITEMS*

- Sunscreen
- Band-aids
- Carpal tunnel wrist supports
- Cold/hot packs for injuries
- Home pregnancy tests
- Incontinence supplies
- Liquid adhesive for small cuts
- Nasal strips

*** PLEASE NOTE:**

This list is a broad overview of eligible expenses; not all services provided by a provider or practitioner are eligible under the IRS regulations.

Please call BASIC regarding your specific item or treatment, prior to election, to confirm eligibility.

Visit www.basiconline.com/Medical-FSA-Election-Worksheet.pdf for a qualified expense worksheet to help you estimate your out of pocket costs.





EXPENSES THAT REQUIRE A LETTER OF MEDICAL NECESSITY

The IRS allows reimbursement of the following, with a copy of the physician's statement of medical necessity, that includes the specific product/service and a diagnosis. Treatment cannot be for general health or well being. A copy needs to be submitted with every reimbursement request and a new letter needs to be reinstated every 12 months.

Health club fees/gym memberships

Nutritional supplements/vitamins

Massage therapy

Acne medication

Weight loss programs (i.e. Weight Watchers and Jenny Craig) - Program fees are eligible but food portions are not.

Stop smoking programs/items

OVER-THE-COUNTER MEDICINE

Acid controllers

Antibiotic products

Anti-diarrheas/gas

Anti-itch/insect bite

Antiparasitic treatments

Baby rash creams

Cold sore remedies

Cough, cold & flu

Digestive aids

Feminine anti-fungal/anti-itch

Hemorrhoidal preps

Laxatives

Pain relief

Sleep aids & sedatives

Stomach remedies



EXAMPLES OF INELIGIBLE EXPENSES

The IRS does not allow reimbursement for the following:

Cosmetic surgery

Insurance premiums

Marriage/debt counseling

Eyeglass sun clips

Eyeglass or contact warranty

Prepayment of services

Special (dietary) foods

Personal care items

Sanitary products

Diapers

Deodorant

Chapstick

Face cream or moisturizers

Eye serums or wrinkle creams

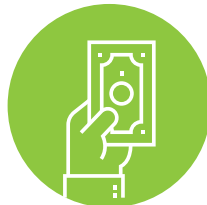
Teeth bleaching/whitening

Toothbrushes/toothpaste

Floss/flossing devices

Mouthwash

Protein shakes/meal replacement



CALCULATE SAVINGS

Visit www.basiconline.com/fsasavingscalculator to use our calculator to estimate the size of your tax saving, annually or per pay check, when you choose to participate in BASIC Flex!



DEPENDENT CARE FSA

A single parent or a married couple filing jointly can elect up to \$5,000 per family, while a married person filing separately can elect up to \$2,500 per person, but equal \$5,000 for the family. Just as with Medical FSA, you save between 15%-40% by not having to pay federal, most state and local taxes, as well as Social Security and Medicare taxes for every dollar elected for Dependent Care FSA.

Unlike a Medical FSA, Dependent Care FSA is a pay-as-you-go account. Funds are not advanced by your employer.

Without an FSA		With an FSA	
Gross taxable wage	\$500.00	Gross taxable wage	\$500.00
Federal, FICA & State Tax	-113.25	Dependent care election (<i>\$5,000 divided by 52 weeks</i>)	-96.15
Take home pay	\$386.75	Taxable wage	\$403.85
Average weekly out-of-pocket medical expenses	-96.15	Federal, FICA & State Tax	-91.47
Amount left to spend	\$290.60	Amount left to spend	\$312.36
FSA Tax Savings per week			\$21.78
Annual Savings			\$1132.56

• Assuming 15% Federal tax, 7.65% FICA Tax (Social Security and Medicare)

DEPENDENT ELIGIBILITY

- You and your spouse must be employed or actively seeking employment or attending school full time.
- Child must be a dependent under 13 years of age and be in your custodial care more than 50% of the calendar year. Once your child turns 13 during the plan year, expenses are no longer eligible for reimbursement.
- A spouse or dependent who is incapable of self-care and regularly spends at least eight hours per day in your home (i.e. an invalid parent).

SERVICE REQUIREMENTS

- Provider may not be a minor child or dependent for income tax purposes (i.e. an older child).
- Service provider must claim payments as income and comply with state regulations.
- Services must be for the physical care of the child, not for education, meals, etc.
- Overnight camps are not eligible for reimbursement.
- Expenses paid for Pre-K are eligible but kindergarten and higher is not.

ADDITIONAL DETAILS

ELIGIBILITY

Flex Benefits end upon termination of employment and/or participation.

Services must be rendered during your current period of coverage. For new employees entering the plan during the Plan Year, services must be rendered after your eligibility or election date, whichever is later.

A family member does not have to be covered on the WMU health plan for eligibility for FSA expenses.

CHANGES TO YOUR CONTRIBUTIONS

You may change your annual election if you have a qualifying life event (marriage, birth, adoption, death or divorce). The FSA election change must correlate with the event and be made with 31 days of the event. For example, if the event is a birth you may increase your election, not decrease it.

Dependent Care FSA qualifying life events may include changes in child care or dependent care (e.g., day care of babysitters).

END OF YEAR BALANCE

You have until the end of the third month after the end of the Plan Year, or March 31, in which to submit a claim for reimbursement for expenses incurred during the previous plan year. However, if you have ceased to be eligible as a Participant, you will only have three months after the date you ceased to be eligible in which to submit claims for reimbursement of expenses incurred prior to the date you ceased to be eligible.

Up to \$500 of your unused Medical Reimbursement Account funds will carry over into the new Plan (calendar) Year for reimbursement of services incurred as of the first day of the new Plan Year. Carryover funds are not available for reimbursement in the new Plan Year until the fifteenth of the month following the end of the run-out period (April 15).

Dependent Care Reimbursement Account funds are not eligible for carry over to the next Plan (calendar) Year.

PLAN RULES

Your pre-tax contribution through your BASIC Flex plan could reduce your future Social Security benefits; however, studies show it is usually less than 1%.

According to the IRS, money left in your account may become the property of your employer and cannot be returned to you. Most people use of all of their funds by good planning, such as anticipating cost of medical and prescription drug copays and deductibles. Rarely is there ever more than 5% left in the account, and the tax savings more than outweigh this amount.



If you have questions at anytime call 800-372-3539 and speak to a BASIC Flex Account Manager.



FSA Enrollment Form



PLEASE PRINT CLEARLY TO ENSURE ACCURATE ENROLLMENT AND FUTURE COMMUNICATION.

Employer Name: Western Michigan University Employee ID Number: _____

Participant First Name: _____ Last Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone Number: _____ Calendar Year: _____

E-mail Address: _____ (Notification of direct deposit payments are only sent via e-mail)

Pay Period: Semi-Monthly (twice a month) Bi-Weekly (every other week)

MEDICAL REIMBURSEMENT ACCOUNT

I elect to participate \$_____ Annual Pledge Total (may not exceed employer limit of \$2,700)
Annual election will be divided by the number of pay periods in the plan year or the remaining number of pays for mid-year enrollments

I elect NOT to participate Mid-Year election or change

DEPENDENT CARE ACCOUNT

I elect to participate \$_____ Annual Pledge Total (may not exceed \$5000 or \$2500 if married filing separately)
Annual election will be divided by the number of pay periods in the plan year or the remaining number of pays for mid-year enrollments

I elect NOT to participate Mid-Year election or change

DIRECT DEPOSIT

- Use account information on file Use account information below No Direct Deposit
- Checking account OR Savings account
- I elect NOT to participate

Financial Institution: _____

Routing Number: _____ Account Number: _____

I request that my periodic paychecks for the plan year be reduced on a pro rata pre-tax basis by the sum of my medical reimbursement, dependent care and premium contributions to the plan, with such amount to be allocated among the benefits I selected above. I understand this election form cannot be revoked or changed during the plan year unless there is a qualified change in status as defined in the Summary Plan Description (SPD). I certify that I will only claim reimbursement for eligible expenses for myself and/or qualified dependents as defined in the SPD. I further certify that these expenses will not be reimbursed under any other benefit plan. I understand any unused dollars remaining in my Dependent Care Reimbursement account(s) at the end of the plan year will be forfeited. I further understand that any unused funds up to \$500 remaining in my Medical Reimbursement Account will be rolled over to the next calendar year and any unused funds in excess of \$500 will be forfeited. I have examined this agreement and to the best of my knowledge, it is true, correct and complete.

Employee Signature _____ Date _____

Submit form to Western Michigan University Human Resources
Campus Location: 1300 Seibert Administration Building, Mail Stop 5217
Mail: 1903 W. Michigan Ave. Kalamazoo, MI 49008-5217
Fax: 269-387-3441

HR USE	Please complete for mid-year enrollments	Eligibility date: _____
	\$ _____ X _____ = \$ _____	Date of first deduction: _____ Benefit Program: _____

TEAR ALONG THIS LINE