FSAGUIDE

TAX SAVINGS FOR

Medical and Dependent Care Expenses

cda.basiconline.com
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
- Over-the-counter medicine
- Menstrual products
- Personal protective equipment (PPE)

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.

<table>
<thead>
<tr>
<th>Without an FSA</th>
<th>With an FSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross taxable wage</td>
<td>$500.00</td>
</tr>
<tr>
<td>Federal, FICA &amp; State Tax</td>
<td>-113.25</td>
</tr>
<tr>
<td>Group Insurance premium</td>
<td>$40.00</td>
</tr>
<tr>
<td>contribution</td>
<td></td>
</tr>
<tr>
<td>Group Insurance premium</td>
<td>-40.00</td>
</tr>
<tr>
<td>contribution</td>
<td></td>
</tr>
<tr>
<td>Average weekly out-of-pocket</td>
<td>$50.00</td>
</tr>
<tr>
<td>medical expenses</td>
<td></td>
</tr>
<tr>
<td>Take home pay</td>
<td>$346.75</td>
</tr>
<tr>
<td>Taxable wage</td>
<td>$410.00</td>
</tr>
<tr>
<td>Average weekly out-of-pocket</td>
<td>-50.00</td>
</tr>
<tr>
<td>medical expenses</td>
<td></td>
</tr>
<tr>
<td>Amount left to spend</td>
<td>$296.75</td>
</tr>
<tr>
<td>Amount left to spend</td>
<td>$317.14</td>
</tr>
<tr>
<td>FSA Tax Savings per week</td>
<td>$20.39</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Charges</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductible</td>
<td>$113</td>
</tr>
<tr>
<td>Co-pays</td>
<td>$101</td>
</tr>
<tr>
<td>Prescriptions</td>
<td>$108</td>
</tr>
<tr>
<td>Contacts/Vision</td>
<td>$49</td>
</tr>
<tr>
<td>Dental</td>
<td>$22</td>
</tr>
<tr>
<td>Over-the-counter</td>
<td>$16</td>
</tr>
<tr>
<td>Total</td>
<td>$409</td>
</tr>
</tbody>
</table>

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

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 FSA 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
Visine 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*
Acid controllers
Acne medication
Antibiotic products
Anti-diarrheas/gas
Anti-itch/insect bite
Antiparasitic treatments
Baby rash creams
Band-aids
Carpal tunnel wrist supports
Cold sore remedies
Cold/hot packs for injuries
Cough, cold & flu
Digestive aids
Feminine anti-fungal/anti-itch
Hemorrhoidal preps
Home pregnancy tests
Incontinence supplies
Laxatives
Liquid adhesive for small cuts
Nasal strips
Pain relief
Sleep aids & sedatives
Stomach remedies
Stop smoking programs/items
Sunscreen

MENSTRUAL PRODUCTS*
Tampons
Pads and liners
Menstrual cups

PERSONAL PROTECTIVE EQUIPMENT (PPE)*
Personal protective equipment (PPE) for the primary purpose of preventing the spread of the Coronavirus Disease 2019 is now an eligible expense.
- Masks
- Hand sanitizer
- Sanitizing wipes

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.

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

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
- 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
Use our calculator to estimate the size of your tax savings, annually or per pay check, when you choose to participate in BASIC FSA!

https://www.basiconline.com/fsasavingscalculator
DEPENDENT CARE FSA

At WMU, 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

<table>
<thead>
<tr>
<th>Gross taxable wage</th>
<th>$500.00</th>
<th>Gross taxable wage</th>
<th>$500.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal, FICA &amp; State Tax</td>
<td>-113.25</td>
<td>Dependent care election ($5,000 divided by 52 weeks)</td>
<td>-96.15</td>
</tr>
<tr>
<td>Take home pay</td>
<td>$386.75</td>
<td>Taxable wage</td>
<td>$403.85</td>
</tr>
<tr>
<td>Average weekly out-of-pocket medical expenses</td>
<td>-96.15</td>
<td>Federal, FICA &amp; State Tax</td>
<td>-91.47</td>
</tr>
<tr>
<td>Amount left to spend</td>
<td>$290.60</td>
<td>Amount left to spend</td>
<td>$312.36</td>
</tr>
<tr>
<td>FSA Tax Savings per week</td>
<td>$21.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Savings</td>
<td>$1,132.56</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* 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 14 years of age* and be in your custodial care more than 50% of the calendar year. Once your child turns 15 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.

If you qualify for the Child Care Credit, the same IRS rules apply. If you have 2 or more children and spend more than $5,000 for child care, you may have additional tax credits available to you. For more details, refer to IRS Publication No. 503
ADDITIONAL DETAILS

PLAN RULES ARE COMPANY SPECIFIC

While this booklet provides general information about Medical and Dependent Care FSA plans, the Consolidated Appropriations Act (CAA), 2021 and the American Rescue Plan Act (ARPA) give employers flexibility in plan design for plans years ending in 2020/2021.

Medical FSA - Carryover
Permits any amount of unused contributions from plan years ending in 2020 and/or 2021 to be carried over into the next plan year.
WMU has a $2,700 annual cap and unlimited carryover.

Dependent Care FSA - Carryover
Permits any amount of unused contributions from plan years ending in 2020 and/or 2021 to be carried over into the next plan year.
WMU has a $5,000 annual cap and unlimited carryover.

Midyear Election Changes
WMU is allowing 2 election changes in 2021 for both HFSA and DCFSA without a change in status.

Dependent Care FSA - Dependent Age Limit Increase
The age limit for dependent children covered has increased from 13 to 14 for the purpose of receiving reimbursements from funds carried over from the previous plan year where the end of regular enrollment for any such plan year was before January 31, 2020.

A New Way to Manage Benefits

Employee benefits are now easier to manage than ever before with BASIC’s state-of-the-art Consumer Driven Accounts (CDA) system. BASIC’s one-stop solution allows you to manage all your benefit plans on one card, one website, and one mobile app for the utmost convenience.

MyCash
When participants request a reimbursement, funds are immediately processed and placed in an unrestricted account called MyCash. Those funds can be transferred to a personal bank account through the BASIC benefits app.

The BASIC benefits Mobile App with Picture to Pay the Provider
In three quick steps, participants can pay their medical bills directly to healthcare providers with our “Picture to Pay” feature. Not to be confused with requesting a reimbursement, which is also a feature in the BASIC benefits app. No paper, no postage, no hassle.

1. Snap a picture of the bill (only if you have not paid the bill yet)
2. Submit via the BASIC benefits app
3. BASIC pays the bill from the appropriate benefit account.

You can learn more about BASIC CDA at www.basiconline.com/cda.

If you have questions at any time, call 800-372-3539 and speak to a BASIC FSA 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 payments are only sent via e-mail)

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

Form Revised - April 2021

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 calendar year or the remaining number of pays for mid-year enrollments.

☐ I elect NOT to participate

☐ Mid-Year election or change: □ Start New Account: Annual Pledge Total $ ______
☐ Mid-Year Change: New Annual Pledge Total $ ______
☐ Stop Account

DEPENDENT CARE ACCOUNT

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

☐ I elect NOT to participate

☐ Mid-Year election or change: □ Start New Account: Annual Pledge Total $ ______
☐ Mid-Year Change: New Annual Pledge Total $ ______
☐ Stop Account

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 and dependent care 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 further understand that during calendar year 2021 I may make up to two additional changes without a qualified status change. 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 and Medical Reimbursement Account account(s) at the end of the 2020 and 2021 plan years will be carried over to the next calendar year. 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: 1270 Seibert Administration Building, Mail Stop 5217
Mail: 1903 W. Michigan Ave. Kalamazoo, MI 49008-5217
Fax: 269-387-3441 Email: hr-hris@wmich.edu

HR USE

Please complete for mid-year enrollments
Eligibility date: __________
$______ X ______ = $______
Date of first deduction: __________
Benefit Program: __________