

VASSAR COLLEGE FLEX SPENDING ACCOUNTS

✦ What is a Flex Spending Account?

A Flexible Spending Account (FSA) is a special pre-tax payroll deduction set up to pay for dependent care expenses and health care expenses which not covered by an employee benefit plan.
(See Eligible Expenses below.)

✦ What are the benefits of an FSA?

With an FSA, you pay lower taxes. The FSA account deductions from your paycheck are taken out before Federal, State and Social Security taxes, and you are never taxed on that money. FSA's are a way to lower your taxable income without having to make deductions or allowances on your tax return.

✦ An example of FSA savings:

Most people lose between 20% and 30% of their pay to taxes. Suppose your tax bracket is about 25%. For every \$100 in your tax-sheltered FSA account, you are saving \$25 that you would have paid in taxes. You are charged \$100 for a dental procedure and use your FSA account to pay for it. Your expenses and paycheck deductions come out even, but you save the \$25 because of the tax-sheltering. If you have a dependent care FSA and spend \$2,000 a year on day care, you would save \$500.

✦ How do I enroll in a Flex Spending Account?

Every year during Open Enrollment, you can open either a medical/dental FSA, a dependent care FSA, or both. Per IRS rules, you must actively elect an account every year you want one: accounts are not automatically renewed from year to year; nor are amounts carried over between tax (calendar) years. On your Open Enrollment form or on Banner Online, you designate a total annual amount for the account you want: Vassar will set up equal paycheck deductions throughout the year to bring you to that total amount.

✦ How do I figure out how much to put into my account(s)?

For either dependent care or medical/dental, think about the entire calendar year: January through December. For medical/dental, you can include expenses for yourself and your spouse and any children who are your tax dependents. Total up all of the expenses you know you will have (see Eligible Expenses, back of sheet.) Plan carefully and don't over-estimate.

✦ How do I use the account to pay for expenses?

There are two ways: the easiest is to use your Flex Convenience Card to pay for covered services. It works like a credit/debit card. If you can't use the card, you can pay cash and save a receipt. Then fax or mail your receipts to Flexible Corporate Plans, Inc. and you will be reimbursed by check or direct deposit from your Flex account.

✦ Is there a catch?

Yes. FSA's mean that a lot of tax money is not going to the IRS, and so the IRS imposes some rules on participation, which you should understand before selecting an account.

✦ IRS rules on FSA's:

Use It or Lose It. You lose any money that you tax-shelter in an FSA that you do not claim for expenses. Therefore it is very important to plan carefully and not over-estimate. Beginning in 2008, you have a short "grace period" on your medical flex spending account, which gives you 2 ½ extra months in the following year to use up your account balance – see the information on-line and in your open enrollment packet on the Grace Period.

Timelines. To claim an expense, you must incur it during the calendar (tax) year: that is, by December 31. You then have until March 31 of the following year to submit the claims.

Changing your account amount. Once you have selected an amount during Open Enrollment, you *cannot* change it unless you have a "qualified life status change event:" the birth of a child, marriage, divorce, or job or benefits loss.

Active election. FSA's do not automatically renew themselves from year to year. You must actively choose one at Open Enrollment.

FSA Eligible Expenses → →

ELIGIBLE EXPENSES FOR FLEX SPENDING ACCOUNTS

✦ MEDICAL / DENTAL ACCOUNT

- *New!* Over-the-counter medications, such as pain relievers or allergy medicine
- Office co-payments: the \$12 or \$15 you pay for in-network care.
- Prescription co-payments
- Deductibles and Coinsurance: medical/dental services you paid for in part or full because you hadn't yet met your annual deductible or were in the 80/20 or 70/30 coinsurance phase.
- Any dental services, unless you can get them covered through a spouse's dental plan: fluoride treatments, cleanings, check-ups, crowns, etc.
- Glasses, contact lenses, saline and disinfecting solutions, and LASIX laser vision correction surgery
- Orthodontia (braces)
- Services you paid for because you exceeded a health plan's limits: physical therapy, mental health, etc.
- Transportation to receive medical care, including ambulance service
- Alternative medicine from a licensed provider: acupuncture, acupressure, chiropractic, herbalistic, etc.
- Massage therapy if prescribed to treat a condition
- Hearing aids
- Durable medical equipment above your health plan's covered amount: medically necessary beds, wheelchairs, etc

Consult Flexible Corporate Plans, Inc. at www.flexcorp.com or toll-free: 888.505-4557.

✦ DEPENDENT CARE ACCOUNT

Eligible: Your payments for day care for a child under 13 or a disabled adult dependent. This day care must be for the purpose of allowing you (and your spouse if married) to work.

- Day care center care
- Preschool (pre – kindergarten)
- Vassar day care and preschool at the Wimpfheimer center
- Babysitters or other day care in your home (they must provide a social security # or tax ID)

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✦ VALID FORMS OF PAYMENT EVIDENCE WHEN SUBMITTING A CLAIM

- Receipts clearly marked "paid" which also clearly indicate the date and type of service and for whom provided
- Explanations of Benefits ("EOB's") sent by your insurance company showing what they have paid and the balance you owe
- Bursar's statements describing your semester deductions for Wimpfheimer center care

✦ NOT VALID TO SUBMIT:

- Medical bills not indicating your payment for the service
- Cancelled checks