

Saving Dollars with Flexible Spending Account (FSA)

The EMU 2011 Flexible Spending Account (FSA)

Open Enrollment Period will be

October 25, 2010 through November 5, 2010

Flexible Spending Accounts are tax free deductions from your pay that are designed to help you benefit by allowing you to pay for eligible medical, dental, and vision expenses, as well as work-related child and adult day care expenses, on a pre-tax basis. FSAs allow you to direct a part of your pay, tax-free, into one or both of these special accounts that you can use throughout the year to reimburse yourself for eligible out-of-pocket expenses.

EMU offers two Flexible Spending Accounts (FSAs) to help employees save on taxes: the Dependent Care FSA and the Health FSA. The plans allow you to pay on a pretax, salary reduction basis for eligible dependent care expenses or health care expenses not covered by your medical, dental, or vision plans.

How will an FSA benefit me?

An FSA saves you money by reducing your income taxes. The contributions you make to a FSA are deducted from your pay before your federal, state, or Social Security taxes are calculated. The end result is that you lower the amount of taxes you pay and increase your spendable income. Your participation in the EMU FSA is effective for a calendar year and ends December 31. You can save hundreds of dollars a year. For example, if you are in the 28 percent federal income tax bracket and pay \$2,000 in qualified medical expenses out of your FSA you would save about \$560 in taxes.

How do the EMU flexible spending accounts work?

Each year, you will need to determine how much money you want to contribute for the year into the health care spending account and/or the dependent day care spending account. This year you can contribute any amount up to \$5,000 into the health care spending account and up to \$5,000 into the dependent care spending account.

It is important to know that: *Money set aside for the health care spending account can only be used to claim health care expenses. Likewise, a dependent day care spending account can only reimburse expenses related to daycare for eligible dependents.*

The amount you designate for the year is taken out of your paycheck in equal installments each pay period and placed in a FSA, administered by our third party administrator.

Note: Effective Jan. 1, 2011, an over the counter (OTC) drug is reimbursable as a medical expense only if the drug is obtained with a prescription—even though a prescription is not required to obtain the drug.

If you do not enroll as a new employee, you may enroll during the annual open enrollment period. Otherwise, you may only enroll if you have a qualified life event change, such as marriage, birth, divorce, or loss of a spouse's insurance coverage.

Who's eligible?

All employees who are eligible for healthcare benefits are eligible to participate. However, in order to be eligible, the dependent care must be necessary so that you, or you and your spouse, can work or look for work.

How do I make purchases?

There are two ways of making purchases:

Reimbursement by Direct Deposit

Current FSA participants who elected Direct Deposit for 2010 do not have to elect it again, unless there has been a change in bank information. New participants desiring direct deposit should complete the bottom portion of the enrollment form.

Debit Card

For new FSA participants, you will receive a debit card in the mail prior to January 1, 2011. For existing participants your debit card will be reloaded for 2011. You will not receive another card.

How do I decide how much to contribute to my flexible spending account?

Your FSA funds are subject to IRS “use-or-lose rules”, therefore it’s wise to calculate how much money to contribute for the year, because if you put in more money than you need, by law, you lose it. See the following link for a worksheet that can assist you in calculating your health FSA elected amount.

https://www.basiconline.com/downloads/flex/flex_enrollment_booklet.pdf

What expenses are eligible for health care reimbursement?

Any expense that is considered an eligible medical expense by the Internal Revenue Service and is not reimbursed through your insurance plans can be reimbursed through the Health Care Flexible Spending Account. For a more complete listing of eligible medical expenses, please refer to IRS Publication 502 or the following link

https://www.basiconline.com/downloads/flex/flex_enrollment_booklet.pdf

Examples include:

- Copayments on covered expenses
- Prescription drugs or prescription drug copays
- Deductibles
- Contact lenses and eyeglasses
- Braces
- Out-of-pocket expenses paid to doctors, dentists, surgeons, chiropractors, osteopaths, psychiatrists, psychologists, and Christian Science practitioners
- Out-of-pocket expenses for hospital services, nursing services, laboratory fees, prescription medicines and drugs, and insulin
- Acupuncture treatments
- Inpatient treatment at a center for alcohol or drug addiction
- Smoking-cessation programs and prescribed drugs to help nicotine withdrawal
- Dentures, hearing aids, crutches, wheelchairs, and guide dogs for the blind or deaf
- Fees in excess of reasonable and customary amounts allowed by your insurance

What expenses are not eligible for Health Care FSA reimbursement?

Effective January 1, 2011, over-the-counter medications are excluded unless issued as a prescription by your physician.

Examples of ineligible expenses include:

- Your health plan premiums, including COBRA premiums
- Health club dues and physical treatments unrelated to a specific health problem, such as massage
- Cosmetic surgery
- Costs for cosmetic dental procedures
- Prescription drugs for cosmetic purposes
- Dietary supplements and vitamins
- Cosmetics
- Sunblock
- Toiletries (e.g., toothpaste, lotions)

How long do I have to claim my expenses or spend my FSA set aside monies?

The benefit year is January 1 – December 31, however IRS ruling 2005-42 allows for a carry-over of unused FSA funds for up to 2 1/2 months after the end of the plan year.

This basically extends the time in which expenses can be incurred from 12 months to a maximum of 14 1/2 months. For 2011 you will have from January 1, 2011 until March 15, 2012 to use your set-aside monies and; March 31, 2012 to submit reimbursement claims. Additionally, the debit card cannot be used for expenses incurred during the grace period. Grace period expenditures have to be reimbursed. (i.e. you cannot use your debit card on February 2, 2012 to utilize 2011 funds, however you can use your debit card on February 2, 2012 to utilize 2012 funds).

What is a Dependent Day Care FSA?

A Dependent Day Care Flexible Spending Account (also called Dependent Day Care FSA) is designed to help you pay for eligible day care expenses for your children and other qualifying family members while you and (if married) your spouse are working. Dependent Day Care FSA funds are also set aside from your paycheck before taxes are deducted, allowing you to pay for eligible day care expenses tax-free.

Who is qualified to be covered by a Dependent Day Care FSA?

A qualifying individual includes a qualifying *child* if he or she:

- Is a U.S. citizen, national, or a resident of the U.S., Mexico, or Canada
- Has a specified family-type relationship to you
- Lives in your household for more than half of the taxable year
- Is under age 13, and has not provided more than one-half of his or her own support during the taxable year

A qualifying individual includes your spouse if he or she:

- Is physically and/or mentally incapable of self-care
- Lives in your household for more than half of the taxable year, and spends at least 8 hours/day in your home

A qualifying individual includes your qualifying *relative* if he or she:

- Bears a specified relationship to the employee (relationship test)
- Has over half of his or her individual support provided by the employee (support test)
- Is a U.S. citizen, national, or a resident of the U.S., Mexico, or Canada
- Is physically and/or mentally incapable of self-care
- Is not a qualifying child of anyone else
- Lives in your household for more than half of the taxable year, and spends at least 8 hours/day in your home
- Receives more than half of his or her support from you during the taxable year.

What is considered a Dependent Day Care FSA eligible expense?

Examples include:

- After-school care
- Babysitting fees
- Day care services
- In-home care/au pair services
- Nursery and preschool
- Summer day camps

IRS Publication 503 or a tax advisor can provide more detailed information about eligible expenses.

You cannot receive reimbursement for a dependent day care expense if:

- You itemized the expense as a deduction on your tax return or
- If dependent day care was provided by an individual who could be claimed as a dependent on your tax return.

Who and what are considered eligible day care providers?

Eligible day care providers include:

- Day care centers that meet local regulations, provide care for more than six nonresidents, and receive fees for such services
- Babysitters or companions, including your relatives (your children must be age 19 or over) whom you do not claim as exemptions on your federal income tax return

How much can I elect for Dependent Day Care?

Each year, you can set aside up to:

- \$5,000 if you are a single parent or married and filing taxes jointly
- \$2,500 per person if you are married and filing separately to pay for eligible dependent day care expenses

What do I do if I want to participate in one or both of the FSA's?

If you would like to elect the Flexible Spending Account for 2011, please fill out the enrollment form below and return it to our office by faxing it to 734.487.4389. You can also mail it to our office or bring it in. The form can also be found by clicking the following link: http://www.emich.edu/hr/hrforms/Forms/BASIC_enrollment_form.pdf

Please note that forms will not be accepted after November 5, 2010.

Who do I contact if I have questions?

Please feel free to contact the EMU Benefits Office at 734.487.3195.

BASICFLEX

ENROLLMENT FORM

PLEASE PRINT CLEARLY TO ENSURE ACCURATE ENROLLMENT AND FUTURE COMMUNICATION.

Employer Name: **Eastern Michigan University** E-Number: _____
Participant First Name: _____ Last Name: _____
Social Security #: _____ Date of Birth: _____ / _____ / _____
Address: _____
City, State, Zip: _____ Phone Number: _____
E-mail Address: _____ (Notification of direct deposit payment is sent via e-mail)
Pay Period: Semi-Monthly (twice a month) Bi-Weekly (every other week)

MEDICAL REIMBURSEMENT ACCOUNT

I elect to participate (not to exceed employer annual limit of \$5000)

\$ _____ Annually (do not round)

I elect NOT to participate

DEPENDENT CARE ACCOUNT

I elect to participate (not to exceed annual limits of \$5000 or \$2500 if married filing separately)

\$ _____ Annually (do not round)

I elect NOT to participate

Direct Deposit

I elect to participate (there is no need to complete this section, unless you are changing accounts)

Checking Account OR Savings Account

Financial Institution (Name of Bank): _____

Routing Number (9 digits): _____ Account Number: _____

If you would prefer, you can attach a voided check.

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 account(s) at the end of the plan year will be forfeited. I have examined this agreement and to the best of my knowledge, it is true, correct and complete.

Employee Signature _____ Date _____