

HEALTH CARE SPENDING ACCOUNT

Questions and Answers

Wouldn't it be nice if you received a discount on your health care expenses? Well, depending on your tax bracket and residency, you can enjoy the equivalent of a 20% to 50% discount when you use your Health Care Flexible Spending Account to pay for eligible health care expenses with pre-tax dollars. To learn more, please review the Q&A below and the worksheet on the back. Then ask your Human Resources administrator about enrolling so you can start saving!

What qualifies as an eligible expense under a Health Care FSA?

A Health Care FSA can be used to pay for many expenses not covered by health insurance. The list is quite extensive. Here are some common eligible expenses:

- Medical, dental and vision deductibles.
- Copayments and coinsurance.
- Many other medically-related expenses such as braces, dentures, eyeglasses, contacts, hearing exams and hearing aids.

The expense must be *incurred* during the plan year by you, your spouse or an eligible dependent. It does not matter when it was billed or paid.

Key note: *You must be eligible to participate in an underlying ACA-compliant group health insurance plan in order to participate in the Health Care FSA.*

How much should I contribute to my Health Care FSA?

The best way to determine how much to contribute to your Health Care FSA is to estimate the eligible expenses you expect to incur during the upcoming plan year. Take a look at expenses from past years. Also consider any new expenses that you know are on the way that will not be covered by your medical or dental plan (e.g. the cost of braces for your daughter), as well as impending family status changes that may have an impact on your health care expenses (e.g. the birth of a child).

A worksheet designed to help you estimate your eligible expenses and potential tax savings can be found on the back of this Q&A.

What if I do not use all the money in my Health Care FSA by the end of the year?

According to IRS rules, any funds remaining in an FSA at the end of the plan year must be forfeited. As a result, it is best to be conservative when estimating your eligible expenses for the upcoming year.

Key note: *After the plan year ends, there is a period established by your employer (e.g. 90 days) during which you can submit claims that were incurred prior to the end of the plan year.*

If I underestimate my Health Care FSA contributions, can I use money from my Dependent Care FSA to make up the difference?

No. Each FSA is considered a separate benefit plan. Money cannot be transferred between the two.

Should I use my Health Care FSA or take a deduction for health expenses on my tax return?

The IRS only allows you to deduct medical and dental expenses that exceed 7.5% of your adjusted gross income. As a result, most people do not incur enough out-of-pocket expenses to qualify for this deduction. You should consult your tax advisor to determine which approach is right for you.

Key note: *With an FSA, you enjoy your tax savings throughout the year, not just once when you file your taxes.*

Estimate your eligible health care expenses and potential savings on the reverse side of this form!

Searching for Savings!

This worksheet will help you estimate the tax savings you can enjoy by using your Health Care Flexible Spending Account. Begin by using the **Estimating Your Eligible Expenses** chart to the left to estimate the eligible expenses that won't be covered by any health insurance that you and your family will incur during the plan year. Then, use the charts on the right to calculate your potential savings. Every eligible expense you find means more tax savings for you. Remember, though, to be conservative since any money left in an FSA at the end of the year must be forfeited.

ESTIMATING YOUR ELIGIBLE EXPENSES

Deductibles Medical, dental, hearing, vision	<input type="text"/>
Copayments/Coinsurance	<input type="text"/>
Charges in excess of "reasonable and customary" e.g. the difference between a private and semi-private hospital room	<input type="text"/>
Dental Expenses e.g. office visits, braces, root canal, oral surgery	<input type="text"/>
Vision Expenses e.g. office visits, glasses, contacts, Lasik surgery, saline solution	<input type="text"/>
Hearing Expenses e.g. office visits, hearing aid, phone for deaf	<input type="text"/>
Medical Expenses e.g. office visits, lab fees, chiropractor treatments	<input type="text"/>
Total Estimated Health Care Expenses	<input type="text"/>

Use this total to calculate your potential tax savings in the chart at the right.

YOUR FSA AT WORK

 <p>Estimated Health Care Expenses</p> <p>Multiply by</p> <p>Tax Savings</p>	<input type="text"/>
	<input type="text"/>
	<input type="text"/>

YOUR TAX RATE (Federal, State, FICA).
See tax rate chart below.

Tax Rate*

Approximate rates based on 2013 federal tax rates, 5% state tax and 2013 FICA rate. *Your exact tax rate may vary.*

TAXABLE INCOME	SINGLE	MARRIED
\$ 0 - 8,925	22.7%	22.7%
\$ 8,926 - 17,850	27.7%	22.7%
\$ 17,851 - 36,250	27.7%	27.7%
\$ 36,251 - 72,500	37.7%	27.7%
\$ 72,501 - 87,850	37.7%	37.7%
\$ 87,851 - 113,700	40.7%	37.7%
\$ 113,701 - 146,400	34.5%	31.5%
\$ 146,401 - 183,250	34.5%	34.5%
\$ 183,251 - 223,050	39.5%	34.5%
\$ 223,051 - 398,350	39.5%	39.5%
\$ 398,351 - 400,000	41.5%	41.5%
\$ 400,001 - 450,000	46.1%	41.5%
\$ 450,001 and up	46.1%	46.1%

* For estimation purposes only. Please consult your tax advisor.