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FLEXIBLE SPENDING ACCOUNT FREQUENTLY ASKED QUESTIONS



What is a Flexible Spending Account (FSA)?

PayFlex administers two Flexible Spending Accounts, a Health Care and a Dependent Care FSA. Both let you pay for eligible expenses with pre-tax dollars. You contribute to an FSA with pre-tax money from your paycheck. This means you don't pay federal income or Social Security taxes on this money. This, in turn, lowers your taxable income. Consider an FSA...it's a smart way to pay!

HEALTH CARE

Q. What is a Health Care Flexible Spending Account (FSA)?

A. A Health Care FSA is an employer-sponsored benefit that allows you to set aside money from your paycheck on a PRE-TAX basis to pay for certain out-of-pocket health care expenses for you and your eligible dependents.

Q. How do I benefit from using pre-tax dollars to pay for out-of-pocket expenses?

A. FSA contributions and reimbursements are exempt from federal income taxes, Social Security (FICA) taxes, and in most cases, state income taxes. Depending on your tax bracket, you can expect savings between 20% and 40% on your elected amount.

Q. How much should I contribute to my FSA?

A. Look at last year's out-of-pocket health care expenses to get the best idea. Starting on January 1, 2013, the maximum annual contribution a participant can make into their Health Care Flexible Spending Account will be \$2,500.

Q. Can I change the amount of my election during the plan year?

A. You may only change your Health Care FSA election during the plan year if the requested change is due to and consistent with a qualifying event such as change in marital status, change in dependent status, or change in employment status.

Q. Do I have to be enrolled in my employer's health plan to participate in the FSA?

A. You may enroll in your employer's FSA plan even if you receive health care insurance through your spouse's employer. You may use your FSA for eligible expenses for all of your qualified dependents, including your spouse.

Q. Does the remaining balance in my FSA roll-over to the next plan year?

No. If incurred expenses are not reimbursed within the plan year run-out period, the remaining balance is **forfeited**. For this reason, it is important to budget wisely.

DEPENDENT CARE

Q. What is a Dependent Care Flexible Spending Account (DCA)?

A. A DCA is an employer-sponsored benefit that allows you to set aside money from your paycheck on a PRE-TAX basis to pay for daycare expenses for your eligible dependents.

Q. Can I use both the Dependent Care Flexible Spending Account and the Federal Dependent Care Tax Credit?

A. Expenses reimbursed from a Dependent Care Flexible Spending Account reduce the amount you can claim under the federal Dependent Care tax credit. You will have to determine which approach is best for you.

Q. Am I eligible to participate in the Dependent Care Flexible Spending Account?

A. To be eligible, you (and your spouse, if married) must work, be looking for work or attend school full-time.

Q. Who is an eligible dependent for the Dependent Care Account?

A. An eligible dependent is someone who spends at least eight hours a day in your home and is one of the following:

- A child under the age of 13 for whom you can claim as an exemption for income tax purposes.
- A dependent under the age of 13 for whom you have custody for more than half of the year if you are divorced or legally separated.
- A dependent that is physically or mentally incapable of self-care (regardless of age).
- Your spouse who is physically or mentally incapable of self-care.

Q. Are there limits to what I can contribute to the Dependent Care Flexible Spending Account?

A. Yes, the IRS limits your deferrals to \$5,000 each plan year (or \$2,500 if married, filing a separate tax return). Your total contributions cannot be more than your earned income or your spouse's earned income, whichever is less.

Q. What expenses are eligible for reimbursement under the Dependent Care Flexible Spending Account?

A. The following are eligible expenses:

- Nursery care
- Pre-school
- Before-school and/or after-school care
- Day camp

Q. What expenses are not eligible for reimbursement under the Dependent Care Flexible Spending Account?

A. The following expenses are not eligible:

- Dependent health care expenses
- Dependent care for children age 13 or older (unless disabled)
- Overnight camp
- Baby-sitting that is not work-related
- School costs for kindergarten and higher grades (e.g., tuition for private schools)
- Long-term care services (e.g., nursing homes)



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TRANSPORTATION FLEXIBLE SPENDING ACCOUNT FREQUENTLY ASKED QUESTIONS



What is a Transportation Spending Account (TSA)?

A Transportation Spending Account allows you to put aside money on a pre-tax basis to pay for work-related commuting and parking expenses. This benefit is only available to you and not your dependents. It consists of two separate benefits, parking and transportation expense reimbursements.

Q. What is the 2013 monthly contribution a participant can elect on a pre-tax basis?

A. The combined transit/vanpool limit is \$245 per month and the pre-tax parking limit is also \$245 per month. This means employees can set aside up to \$490 per month for combined transit/vanpool and parking benefits.

Q. Is gas covered as an eligible expense under the Transportation FSA?

A. No. Gas is not an eligible expense.

Q. Are toll payments eligible expenses for this plan?

A. No, tolls are not an eligible expense.

Q. What are considered qualified parking expense?

A. Parking costs associated with a lot at or near the place of business and parking costs from a lot that is at or near your place of commute (i.e. rideshare, carpool, vanpool). Parking costs at the place where you get transportation to work—a train station or vanpool stop, for instance.

Q. What are non-eligible parking expenses?

A. Parking costs incurred at your residence or parking costs at a lot that is owned or sponsored by the Employer.

Q. What are considered qualified transit costs?

A. The transit benefit is for eligible work-related transit expenses and is the price of tickets, vouchers and passes to ride a subway, train, city/county bus or ferry. For example, if you ride in a vehicle that seats at least 6 adults (not including the driver) and if a person in the business of transporting persons for pay or hire operates it.

Q. What are non-eligible transit costs?

A. Mass transit costs not associated with the commute to work.

Q. Can I enroll in the Transportation FSA at anytime during the year?

A. Yes, you can enroll, make changes to your elections or cancel your enrollment at any time during the year and the changes usually become effective the following month.

Q. Can I change the amount of my parking/transportation contributions to my FSA during the year?

A. Yes, you may change your parking and transportation elections on a monthly basis, without a qualifying life event.

Q. Will I be reimbursed for parking/transportation contributions unused at the end of the calendar year?

A. Contributions will not be reimbursed at the end of the calendar year. However, they are usually rolled over to the next plan year for future reimbursements.

Q. Will I be reimbursed for any unused parking/transportation contributions upon my termination?

A. Contributions may only be reimbursed for expenses incurred during the time you were actively employed. Any unused contributions will not be reimbursed upon termination.