

# FLEX

## **Health Flexible Spending Account (FSA)**

Before the start of each Flex Plan year, you may elect to use “before-tax” dollars to pay for your out-of-pocket medical expenses, including deductibles, co-pays, and prescriptions. Dental and vision expenses may also be reimbursed. Eligible health FSA expenses include those defined by IRS Code, Section 213(d). For a list of examples, go to [www.allegianceflexadvantage.com](http://www.allegianceflexadvantage.com). Please check your summary plan description for the maximum election amount.

Health insurance premiums are not reimbursable through the health FSA. There is a separate premium only part of your flex plan that may allow you to deduct group health premium amounts on a pre-tax basis. Salary deferrals elected for group premiums and Health FSA expenses are not subject to federal income, state income, or Social Security/Medicare taxes.

Your health FSA election will reimburse you for eligible expenses that you, your spouse, and your dependent’s incur during the plan year. The entire annual amount you elect can be used at any time during the plan year. All you have to do is elect the amount you want withheld before taxes from each pay check. Then, send Allegiance a reimbursement request with documentation of your eligible expenses to be reimbursed. It is not necessary to pay for the expense prior to being reimbursed.

If the expense may be covered through your insurance plan, please provide the insurance explanation of benefits as documentation. If insurance will not consider the expense, an itemized statement from the provider will satisfy documentation requirements.

Some expenses are considered to be “dual purpose.” These expenses are for items or services that are sometimes for purposes other than to treat a medical condition. In order to be reimbursed for a “dual purpose” expense, or over the counter drugs and medicines (effective 1/1/2011), a diagnosis and recommendation for treatment from a medical professional is required.

If you, or your spouse, contribute to a Health Savings Account (HSA), you are not eligible to participate in a general purpose health FSA.

Our website, [www.allegianceflexadvantage.com](http://www.allegianceflexadvantage.com), provides a worksheet that allows you to estimate your medical expenses for a tax savings projection.

# Advantage

## **Dependent Care Flexible Spending Account (FSA)**

If both you and your spouse work or you are a single parent, you may have dependent care expenses. Without a dependent care FSA, the only tax help for you is the Federal Child Care Tax Credit. A dependent care FSA may give you a better tax benefit, so compare both before making your annual election. A tool to get an estimate of your tax savings and a worksheet to compare the Federal Child Care Tax Credit to the dependent care FSA, is available at [www.allegianceflexadvantage.com](http://www.allegianceflexadvantage.com). A dependent receiving care must live in your home at least eight (8) hours per day.

Your dependent care FSA lets you use “before-tax” dollars to pay care expenses for children age 12 and under, or individuals unable to care for themselves. The care must be necessary for you and your spouse to remain gainfully employed. The care may be provided through live-in care, baby sitters, and licensed day care centers. You cannot use “before-tax” dollars to pay your spouse or one of your children under the age of nineteen (19) for providing care. Schooling expenses at the kindergarten level and above are not reimbursable. Neither overnight camp nor nursing home care is reimbursable.

The maximum you can elect, in a calendar year, is equal to the smallest of the following:

- \$5,000-per couple if married and filing federal taxes jointly, or for a single parent;
- \$2,500-per couple if married and filing a separate federal tax return; or,
- your spouse’s earned income.

An employee with a disabled spouse or a spouse who is a full-time student can claim \$250/month for one child and \$500/month for two or more children, with the maximum election not to exceed \$5,000.00 per calendar year.

Unlike health FSAs, dependent care FSAs may only reimburse expenses up to the amount you have contributed at any time during the year.

## **Customer service**

Representatives are available to answer questions each business day between the hours of 7:00 a.m. and 6:00 p.m. Mountain time. After hours, and on weekends, you can access your account information online or through the toll-free automated voice-response system.

Call us, toll free, at 1-877-424-3570.



# Flex Plan



## Flex Puts Tax Dollars Back Into Your Pocket

Mary is a single mother of two earning a salary of \$3,000.00 per month. Mary elects health insurance coverage for her children and herself. Her employer covers some of the insurance premium cost, but Mary is required to contribute \$100.00 each month. Her oldest child has braces and Mary is paying the orthodontist \$100.00 per month. Mary's youngest child attends pre-school while Mary is at work, and she is paying \$300.00 per month to the day care provider. Let's compare Mary's monthly take-home pay if she enrolls in the employer's flexible benefits plan to her take-home pay if she pays these expenses with after-tax income:

	NO PLAN	FLEX PLAN
Gross Pay	\$3,000	\$3,000
Flex Plan	\$0	\$500
Taxable Pay	\$3,000	\$2,500
Federal Tax*	\$225	\$145
State Tax*	\$125	\$85
FICA/Medicare*	\$230	\$190
Net Pay	\$2,420	\$2,080
Insurance	\$100	\$0
Braces	\$100	\$0
Day Care	\$300	\$0
Monthly Net Pay	\$1,920	\$2,080

Through her participation in her employer's Flex Plan, Mary is able to put an extra \$160 in her pocket each month! That's a total increase of \$1,920 in spending income for the year.

\*Tax amounts are approximations based on 2010 payroll tax withholding tables, claiming an allowance of 3. Your individual state tax rate may vary.

## Mid-Year Election Changes

When you enroll in the flexible spending accounts, you are electing to participate for the entire plan year. Be sure not to elect more than you will need to cover expenses incurred by you and/or your family members during the plan year.

Under the "use-or-lose" rule, any money not used by the end of the plan year cannot be returned to you. In addition, no changes to your election may be made during the plan year unless you experience a "qualifying event."

Mid-year election changes usually must be made within 30 days of a qualifying event. Changes are limited and differ for each pre-tax option. For more information about mid-year election changes, please contact your human resources department or Allegiance.

## Reimbursement

You may mail, fax toll-free, or scan and send claims electronically at [www.allegianceflexadvantage.com](http://www.allegianceflexadvantage.com).

**Check Payment:** Allegiance authorizes reimbursement and prints checks each business day. Claims are normally processed within five business days of receipt. You usually have a check in your mailbox within a week after Allegiance receives your claim.

**Direct Deposit:** Send in the Direct Deposit form with a voided check and Allegiance will electronically deposit reimbursements directly into your checking account.

**Debit Card:** Your employer may offer debit cards as part of the Flex Plan. You may use the debit card to pay for medical and/or dependent care expenses. Documentation for the expense may be required, and should be saved for all debit card transactions.

In the tenth month of the plan year, Allegiance will mail a reminder letter to you if you have an unused balance in your account. Claims for eligible expenses that were incurred during the plan year may be submitted for a limited time after the end of the plan year ("run-out"). If you terminate employment during the plan year, there is also a "run-out" period in which expenses incurred prior to your termination may be submitted for reimbursement. The "run-out" period, determined by your employer, is listed in your summary plan description.



**Flex is a great way to instantly get tax dollars back into your paycheck and increase your spendable income.**