

Flexible Spending Account

A Flexible Spending Account (FSA) allows you to pay for certain expenses by setting aside pre-tax dollars from each paycheck. Eligible expenses fall into two categories: medical expenses and dependent day care expenses. You can choose to set aside money in either or both, the Healthcare Account or the Dependent Day Care Accounts, but funds may not be switched from one account to the other. If there is money remaining in either of your accounts after all eligible expenses for the year have been reimbursed, **that money will be forfeited**. Amounts contributed are not returned to you, nor are they credited against the next year's costs.

The following steps will give you a general idea of how to calculate expenses and utilize your FSA Account:

- Estimate your eligible medical expenses for which you will not be reimbursed for the upcoming year.
- Estimate eligible dependent day care expenses that you will incur because you and your spouse work or your spouse is a full-time student.
- Decide how much you want to set aside from each paycheck to cover these expenses, subject to the maximums allowed by the plan.
- Pre-tax deductions will be made from each paycheck throughout the calendar year to fund your HealthCare Account, Dependent Day Care Account or both.
- When you incur an eligible expense, submit a claim form with an appropriate receipt or other proof of payment to the FSA Administrator.
- If the expense qualifies as an eligible expense, you will receive a reimbursement check from the Plan Administrator using the pre-tax dollars in your account.

Annual Contributions

Each year, you may elect to have St. John's contribute, on your behalf, a portion of your compensation to pay for non-reimbursed medical or dependent care expenses. The amounts you elect will be deducted from your pay over the course of the year. The maximum amount of annual contributions you can make is set forth below.

HealthCare Reimbursement Account: \$3,000

The amount you decide to set aside must be expressed in whole dollar amounts per pay period:

<u>Number of Paychecks per Year</u>	<u>Minimum-Maximum</u>
18	\$3 - \$166
20	\$3 - \$150
24	\$3 - \$125
26	\$3 - \$115

Dependent Care Reimbursement Account: \$5,000

For the Dependent Day Care Account you can set aside up to \$5,000 a year (\$2,500 a year if you are married and file a separate income tax return). The amount you set aside cannot be more than your own taxable income or your spouse's taxable income, whichever is lower. If your spouse is a full time student or incapable of caring for himself/herself, he or she will be deemed to have a monthly earned income of \$200 for 1 dependent or \$400 for 2 or more dependents. Again, the amount you set aside must be expressed in whole dollar amounts per pay period.

Assuming you are single or married and file a joint income tax return, the whole dollar amount per pay period is as follows:

<u>Number of Paychecks per Year</u>	<u>Minimum-Maximum</u>
18	\$3 - \$277
20	\$3 - \$250
24	\$3 - \$208
26	\$3 - \$192

Covered Medical Expenses

Covered medical expenses must be incurred for you, your spouse, or anyone else you can properly claim as a dependent on your federal income tax return. Expenses which qualify are those incurred for “medical care” within the meaning of Section 213(d)(i) of the Internal Revenue Code. Examples include:

- Eyeglasses
- Contact lenses
- Prescription sunglasses
- Over-the-counter medications (if the item is to be used to treat an injury or illness and **not merely** to benefit the general health of the participant)
- Hearing exams and hearing aids
- Medical and dental plan deductibles
- Medical and dental plan coinsurance
- Medical plan copays
- Other dental expenses
- Amount of coverage in excess of reasonable and customary allowances

If you or your spouse has been reimbursed for certain expenses by another health plan or flexible spending account, such expenses do not qualify for reimbursement through your FSA at St. John’s University. In other words, you cannot be reimbursed twice for the same expense.

Ineligible Expenses

Generally, expenses are not eligible if they are for general health purposes rather than for the prevention or correction of a specific ailment. Some examples include: cosmetic surgery, funeral expenses, maternity clothes, marriage/family counseling, health club dues for general well being and insurance premiums for long-term care coverage.

Covered Dependent Care Expenses

In general, any expenses you incur for dependent care while you and your spouse are working are covered expenses. Specifically excluded, however, are expenses for nursing home care, “Saturday night baby-sitting”, or when the care or services are provided by your child(ren) under age 19 or anyone you can claim as a dependent on your federal income tax return. “Dependent care” includes care that is provided to anyone you can claim as a dependent on your federal income tax return and who is under age 13 or who is incapable of self-care (a disabled spouse or an elderly, incapacitated parent, for example, who is living with you).

To have expenses that are eligible to be covered under the Dependent Care Reimbursement Account, you must be:

- A working single parent, or
- Married with a working spouse, or
- Married with a spouse that attends school full time or is disabled.

Federal Tax Credit For Dependent Care

You may find it more advantageous to take a dependent care tax credit on your federal income tax return rather than to use the FSA Dependent Day Care Account. The decision will depend on your overall childcare expenses and your household income, so it would be wise to check with your tax advisor. You are permitted to use both the Federal tax credit and the FSA day care account, but not for the same expense.

Estimating Expenses

The first step to determine what portion of your salary you would like to funnel through the Flexible Spending Account is to estimate your medical and dependent care expenses for the coming year. Second, review your expenses for the past few years to see how much you spend out-of-pocket each year for eligible expenses.

Importance Of Estimating Carefully

A federal tax regulation makes it very important for you to estimate your expenses carefully before making your contribution decisions. In exchange for the favorable tax treatment provided by the accounts, the government requires that you use your contributions only for eligible expenses during the plan year.

Can I Change The Amount Of Contributions During The Plan Year?

Generally, you cannot. The only exception is if you have a “qualifying change” in family status during the plan year such as your marriage, legal separation or divorce; the birth or adoption of a child; or the death of a spouse or child or certain other events listed in the Summary Plan Description. Any election change made as a result of a qualifying change must be consistent with the reason that such change was permitted. The same rules apply with respect to discontinuing your contributions during the plan year.

How To File A Claim

A great feature offered by the P&A Group is the Flex Debit Card, which will allow you to use your flexible dollars in a similar manner to a bank debit card. You can use the card to pay for various out-of-pocket expenses such as: office visit co-payments, prescription costs, vision expenses, eyeglasses, dental expenses and over-the-counter medications. Additionally, P&A offers both direct deposit and manual reimbursement. Claims can be mailed or faxed and will be processed daily. Participants can check balance information and claims status by visiting the P&A Web site at www.padmin.com.

If you choose to submit a manual Flexible Spending claim form (available from the Employee Benefits Office or the Benefits website, at <http://www.stjohns.edu>) send the completed form along with proof of payment directly to the P&A Group. The minimum claim is \$50 for each account, but you may submit final claims for any amount after the end of the calendar year. You have 3 months after the end of the calendar year during which you may submit a claim for eligible expenses incurred during the plan (calendar) year. Any money remaining in your

account(s) after that date will be forfeited under IRS regulations. Therefore, you need to carefully estimate your medical and/or dependent day care expenses before you sign up for the FSA.

For eligible medical expenses, you will be reimbursed up to the amount of your elected annual contribution (less any claims already paid) regardless of the amount you have actually contributed to date. For eligible dependent day care expenses, you will be reimbursed only up to the amount you have actually contributed to date. With each reimbursement check you will receive an Explanation of Benefits (EOB) statement indicating the balance remaining in your account(s). You will also receive periodic activity statements showing the status of your account(s) to date.