

Flexible Spending Accounts

American Fidelity
 Customer Service: (800) 437-1011
www.americanfidelity.com

For Flex Benefit Forms Visit: www.afadvantage.com
 To Submit Flex Benefit Claims by Fax: (888) 243-2638
 To Submit Flex Benefit Claims by Mail:
 AWD/Flex Account Administration
 PO Box 268887
 Oklahoma City, OK 73126-8887

The City offers Flexible Spending Accounts (FSAs) administered through American Fidelity.

If you have predictable medical expenses for yourself or your family, such as deductibles and copays, or any work-related day care expenses, an FSA may be right for you. An FSA allow you to set aside money for reimbursement of health care and day care expenses you regularly pay. The amount you set aside is not taxed and is automatically deducted from your paycheck and deposited into the FSA. During the year, you have access to this account for reimbursement of some expenses which are not covered by insurance. An FSA not only results in a substantial tax savings, it also increases your spending power. There are two types of FSAs:

Health Care Reimbursement Account	Dependent Care Reimbursement Account
<p>This account allows you to set aside up to an annual maximum of \$2,500. This money will not be taxable income to you and can be used to offset the cost of a wide variety of eligible medical expenses that generate out-of-pocket costs for you or your qualified dependents. Employees can also receive reimbursement for expenses related to dental and vision care (that are not classified as cosmetic).</p> <p>Examples of common expenses that qualify for reimbursement are listed below.</p> <p>*NOTE: The entire Health Care FSA election is available to you on the first day coverage is effective.</p>	<p>This account allows you to set aside up to an annual maximum of \$5,000 if you are single or married and file a joint tax return (\$2,500 if you are married and file a separate tax return) for work-related day care expenses. Qualified expenses include adult and child day care centers, preschool, and before/after school care for eligible children and adults.</p> <p>Please note that if your family's annual income is over \$20,000, this reimbursement option will most likely save you more money than the dependent care tax credit you take on your tax return. To qualify, your dependent must be:</p> <ul style="list-style-type: none"> • a child under the age of 13, or • a child, spouse or other dependent that is physically or mentally incapable of self-care and spends at least 8 hours a day in your household. <p>*NOTE: Unlike the Health Care FSA, you will only be reimbursed up to the amount that has been deducted from your paycheck for Dependent Care expenses.</p>

A sample list of qualified expenses eligible for reimbursement include, but are not limited to, the following:

- Ambulance service
- Chiropractic care
- Dental fees/Orthodontic fees
- Diagnostic tests/Health screenings
- Doctor fees
- Drug addiction/Alcoholism treatment
- Experimental medical treatment
- Eyeglasses/Contact lenses (corrective)
- Hearing aids and exams
- Injections & vaccinations
- Lasik surgery
- Mental healthcare
- Nursing services
- Optometrist fees
- Physician office visits
- Prescription drugs
- Sunscreen
- Wheelchairs

Log on to <http://www.irs.gov/publications/p502/index.html> for additional details regarding qualified and non-qualified expenses.

Flexible Spending Accounts *(continued)*

FSA Guidelines

- **Any unused funds after a plan year ends and all claims have been filed cannot be returned to you nor can the funds be carried forward to the next plan year.**
- You can enroll in either or both FSAs during open enrollment period, new hire eligibility or a qualifying event only.
- You cannot transfer money between FSAs.
- You cannot pay a dependent care expense from your Health Care FSA or vice versa.
- You cannot deduct reimbursed expenses for income tax purposes.
- You cannot be reimbursed for a service which you have not received.
- You cannot receive insurance benefits or any other compensation for expenses which are reimbursed through your FSAs.
- You have a grace period at the end of the plan year to claim reimbursement for eligible expenses incurred during your period of coverage within the plan year.
- Domestic partners are not eligible, as federal law does not recognize them as a qualified dependent.

Here's How It Works

An employee earning \$30,000 elects to place \$1,000 into their FSA Health Care Savings Account, with payroll deductions being \$41.66 based on a 24 pay period schedule. As a result, the insurance premiums and health care expenses are paid with tax-free dollars, giving the employee a tax savings of \$227.

	With the Plan	Without the Plan
Salary	\$30,000	\$30,000
FSA Contribution	- \$1,000	- \$0
Taxable pay	\$29,000	\$30,000
Estimated Tax 22.65% = 15% + 7.65 FICA	- \$6,568	- \$6,795
After Tax Expenses	- \$0	- \$1,000
Spendable Income	\$22,432	\$22,205
Tax Savings	\$227	

NOTE: Be conservative when estimating your medical and/or dependent care expenses. IRS regulations state that any unused funds which remain in your FSA after a plan year ends and all claims have been filed cannot be returned to you nor carried forward to the next plan year. This is known as the "USE IT OR LOSE IT" rule.

Filing a Claim

To file a claim, you must submit your completed claim form and include a copy of the receipt as proof of the expense. Once completed, you may submit your claim either by mail or fax. The IRS requires FSA participants to maintain complete documentation, including keeping copies of receipts for reimbursed expenses, for a minimum of one year.

Debit Card

FSA participants will receive a debit card for payment of eligible expenses. The debit card allows participants to pay for most qualified services and products at the point of sale versus paying out of pocket and requesting reimbursement. The debit card is accepted at a number of medical providers and facilities and most pharmacy retail outlets.