

Your Flexible Spending Account Options (FSA)

Flex-Plan Services

Monroe School District No. 103 offers both Health Care and Dependent Care Flexible Spending Accounts.

Through these accounts, you can use tax-free dollars to pay for:

- Many out-of-pocket medical, dental and vision care expenses like copayments, deductibles and LASIK surgery.
- Dependent care expenses like daycare, after-school programs or elder care programs so that you and your spouse can work or go to school.

Using tax-free dollars means that you spend less for these expenses and have more money to spend on other things you want and need.

Other Advantages

Your Flexible Spending Accounts can also save you time each April. Some medical expenses are tax deductible, but did you know that if you want to take the tax deduction:

- Your health care expenses must be more than 7.5% of your adjusted gross income.
- You can only deduct the expenses that are more than 7.5% of your income.

Plus, you need to keep track of your receipts and paperwork all year long if you want to accurately list these expenses on your income tax form. When you use your Health Care FSA, you send in your receipts as often as you need to, so there's no need to keep stacks of receipts and bills around for months – or even years. Dependent Care expenses are already eligible for tax credits. However, if you use the tax credits, you don't get your money back until you get your tax refund – if you get one at all. By using the Dependent Care FSA, you get reimbursed for your expenses all through the year. And most people will find that they can save more by using the Dependent Care FSA than by using the tax credit. Remember, if you participate in the Flexible Spending Accounts, your medical or dependent care expenses are not eligible for a deduction or credit on your tax return. Please see your tax adviser to make sure that the choice you make is the best one for you.

To participate in the Flexible Spending Account you must re-enroll every year. Your participation does not automatically continue.

How the Accounts Work

Each pay period, you make a payroll deduction contribution to your Health Care and Dependent Care Flexible Spending Accounts. Then when you need money, you complete a claim form and attach your receipts. To be eligible for reimbursement, claims must be filed within 90 days of the plan year and must have been incurred within the plan year during which you made contributions. Flex Plan will mail you a check for the amount of the expense. It's that simple. **Please refer to the Flexible Benefits Plan booklet for details.**

Saving Money with Flexible Spending Accounts

Let's look at an example of how your Monroe School District Flexible Spending Accounts can save you money:

Assume that you pay about \$1,500 each year on eyeglasses, prescriptions, co-payments, deductibles, and other medical expenses. In addition, you spend another \$4,000 on childcare. Compare your take-home pay when you use Flexible Spending Accounts and when you don't:

	If You Participate	If You Don't Participate
Annual salary before taxes:	\$25,000	\$25,000
Less:		
Health Care Spending Account Deposit:	– \$1,500	– \$0
Dependent Care Spending Account Deposit:	– \$4,000	– \$0
Taxable Income:	\$19,500	\$25,000
Less:		
Income Taxes and Social Security (approx. 22%)	– \$4,290	– \$5,500
Take-Home Pay:	\$15,210	\$19,500
Less:		
Health Care Expenses:	– \$0*	– \$1,500
Child Care Expenses:	– \$0*	– \$4,000
Net Pay You Can Spend:	\$15,210	\$14,000
Tax Savings:	\$1,210	\$0

* You get reimbursed from your Health Care and Dependent Care Flexible Spending Accounts.

As you can see, using these accounts can really save you money. By reducing your taxable income, you increase your spending money by \$1,210 over the course of a year.

FSA (continued)

How Much to Contribute

The trick to using Flexible Spending Accounts is figuring out how much to contribute each pay period. If you contribute less than the amount of your actual eligible expenses, you miss out on some tax savings.

If you contribute more than the amount of your actual eligible expenses, you give up the extra money. IRS rules state that if you don't use the money in your account each year, you lose the leftover amount.

Therefore, it's best to guess a little low when deciding how much to contribute. Use this worksheet to help you calculate your contribution. You must re-enroll in the Flexible Spending Account program each year during the annual FSA Open Enrollment in September. The time period for which you are estimating expenses is October 1, 2008 through September 30, 2009.

How Much You Can Contribute

If you choose to participate, there are minimum and maximum limits on your Flexible Spending Account contributions.

Health Care Flexible Spending Account Limit

- You cannot contribute more than \$3,500 per calendar year.

Dependent Care Flexible Spending Account Limit

- \$2,500 if you and your spouse file separate tax returns or
- \$5,000 if you are single or you and your spouse file a joint return.

Calculating Your Contribution: Your Health Care Flexible Spending Account

How much do you spend out-of-pocket during an average year on...	Amount
Routine doctor's visit copays?	
Hospital services?	
X-rays, lab exams, tests?	
Eye doctor visits?	
Glasses/contacts and cleaning supplies?	
Prescriptions?	
Dental expenses?	
Other medically-related expenses?	
Total: Regular Expenses	=
Divided by the number of paychecks you will receive that year:	
Equals the amount to deposit into your account each pay period:	=

Calculating Your Contribution: Your Dependent Care Flexible Spending Account

Last year's tax credit-eligible day care expenses:	Amount
Daycare/pre-school programs:	
After-school programs:	
Adult daycare:	
Plus any fee increases:	
Total: Regular Expenses	=
Divided by the number of paychecks you will receive that year:	
Equals the amount to deposit into your account each pay period:	=