



The Lipman Company



**FLEXIBLE SPENDING PLAN**

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**TLC ADMINISTRATORS**

## Flexible Benefits: A Tax Savings Opportunity

This Flexible Benefits Plan, sponsored by your Employer, offers you the opportunity to reduce your taxes and increase your take-home pay by participation in a Health Care Reimbursement Account and/or a Dependent Care Reimbursement Account!

### How does participation in the Health Care Reimbursement Account compare to taking a tax deduction?

Participation in the Health Care Reimbursement Account is an alternative to taking a tax deduction on your Federal tax return for your eligible out-of-pocket health care expenses. Since few people ever qualify for this deduction (allowed only on those expenses that exceed 10% of your adjusted gross income), this Plan offers a tax advantage not otherwise available to most employees. If you do qualify for the deduction, you may choose not to participate in this plan. You must exclude the amount of expenses reimbursed through this Plan when taking the tax deduction.

### How does participation in the Dependent Care Reimbursement Account compare to taking a tax credit?

Participation in the Dependent Care Reimbursement Account is an alternative to taking a tax credit for these expenses on your Federal tax return. You need to compare the tax savings under this Plan to the tax credit you may be eligible for on your tax return form. When in doubt, contact your personal tax advisor.

### An Example of the Potential Tax Savings

	<i>With Flexible Benefits</i>	<i>Without Flexible Benefits</i>
Annual Salary	\$43,000.00	\$43,000.00
Less Contribution to Dependent Care Account	\$5,000.00	\$0
Less Contribution to Health Care Account	\$1,000.00	\$0
Taxable Salary	\$37,000.00	\$43,000.00
<b>Annual Tax Savings on Contribution to Plan (35%*)</b>	\$2,100.00	\$0
	<i>-Compare to-</i>	
Federal Tax Credit (20%**) On Dependent Care Expenses	\$0	\$600
Federal Tax Deduction On Health Care Expenses	\$0	\$0

\*Your savings will vary depending on your expenses, tax bracket and filing situation.

\*\* Credit of 20% only applies to the first \$3,000 in expenses for the care of one dependent.

# Flexible Benefit Reimbursement Accounts

**An exciting Employer-sponsored benefit that allows you to pay for eligible expenses on a pre-tax basis!**

**Your contribution to the Plan will not be subject to Federal, State\*, FICA or SDI\* taxes.**

**By participation in the Plan, you can lower your taxable income and increase your spendable income!**

**It is important that you plan for your expenses carefully and conservatively before you enroll!**

\*Employees who reside in NJ must pay applicable state taxes on their contributions.

## **How does a Reimbursement Account work?**

When you enroll in the Plan, you will be asked to make an election based on the eligible expenses you anticipate incurring during the Plan Year. Your election will represent the amount of money you want to contribute to your Reimbursement Account. This money will be deducted from your paycheck on a pre-tax basis in equal increments every pay period and placed in your Reimbursement Account where your pre-tax money will accumulate until you file claims for reimbursement. Once you incur an eligible expense, simply file a claim form with TLC Administrators and you will be reimbursed from the money in your account

## **When can I incur expenses for reimbursement?**

Expenses must be incurred (regardless of when they are billed or paid) while you are a participant in the Plan during the current Plan Year.

## **How often will I be reimbursed?**

You will receive a reimbursement payment every pay period following the submission of claims.

## **Is there a time limit on incurring expenses and filing claims?**

Your contributions to the Plan must be spent while you are participating during the current Plan Year. You will have a **90-day grace period** after the end of the Plan Year (or after the date you cease to be a participant in the Plan) to file claims for expenses incurred during the Plan Year.

## **When can I enroll in the Plan?**

You may enroll at the beginning of the new Plan Year or within 30 days upon meeting your Employer's eligibility requirements. You may also enroll within 60 days after experiencing certain qualified changes.

# Flexible Benefit Reimbursement Accounts

## **When can I change my election in the Health Care Reimbursement Account?**

You may change or revoke your election in the Health Care Reimbursement Account at the beginning of the next Plan Year or within 60 days of experiencing a “change in status.” Your new election must be consistent with the change.

The following events are changes in status:

- Change in your legal marital status – marriage, death of your spouse, divorce, legal separation or annulment
- Change in the number of tax dependents – birth, adoption, placement for adoption or death of a dependent
- Termination or commencement of your spouse’s employment
- Change in your work schedule, or the work schedule of your spouse or dependent – switch between part-time and full-time status, a strike or lockout or the taking of or returning from an unpaid leave of absence
- Your dependent satisfies or ceases to satisfy dependent eligibility requirement for your health coverage
- You, your spouse or dependent have a right to enroll for coverage due to HIPAA
- You, your spouse or dependent becomes entitled to Medicare or Medicaid
- A significant change in your health coverage or the health coverage of your spouse attributable to your spouse’s employment

## **When can I change my election in the Dependent Care Reimbursement Account?**

You may change or revoke your election in the Dependent Care Reimbursement Account at the beginning of the next Plan Year or within 60 days of experiencing a “change in your family status.” Your new election must be consistent with the change.

The following are examples of a change in your family status:

- Marriage, divorce or legal separation
- Death of your spouse or dependent
- Birth or adoption of your child
- Commencement or termination of your spouse’s employment
- Switching from part-time to full-time or from full-time to part-time employment status by you or your spouse
- Taking of or returning from an unpaid leave of absence by you or your spouse
- Significant change in your health coverage or the health coverage of your spouse attributable to your spouse’s employment

# Health Care Reimbursement Accounts

**An opportunity for you to pay for out-of-pocket health care expenses incurred by you and your family members with pre-tax dollars!**

**This may be the only tax advantage to you for these kinds of expenses.**

## **What types of expenses are eligible?**

Out-of-pocket, medically necessary expenses incurred for the treatment of specific physical or mental disorders that are not covered in full by insurance or any other source.

## **What types of expenses are not eligible?**

The list of ineligible expenses includes expenses merely beneficial to one's general health, expenses solely for cosmetic reasons and expenses paid in full by insurance, any other plan or any other source.

## **Who can incur eligible expenses?**

- You (even if you are not enrolled in your Employer's group plan)
- Your spouse (even if not insured by your Employer), if you are legally married and file a joint tax return
- Your tax dependents (even if not insured by your Employer)
- Any person who would otherwise qualify to be claimed as a tax dependent unless his/her income exceeds the exemption amount (even if not insured by your Employer)  
*\* Refer to Summary Plan Description for specific definition.*

## **When must expenses be incurred in order to be eligible?**

Expenses must be incurred (regardless of when they are billed or paid) while you are a participant in the plan during the current plan year

## **How do I estimate my expenses before I enroll in the Plan?**

Think about when your Plan Year will begin and end and what eligible expenses you expect to incur during that time. Review the list of eligible expenses with your spouse and your eligible dependents. Check with your providers about the need for and cost of upcoming treatments. Review your insurance coverages to calculate what portion or the cost for upcoming treatments will not be covered and will be eligible for reimbursement as an out-of-pocket expense to you.

## **How much pre-tax money can I use on these expenses?**

You will be notified if your Employer has set a limit on the amount of money you can elect for use in the Health Care Reimbursement Account. If your spouse participates in a similar Plan, you are limited only by the maximums set by each Employer. The same expenses cannot be submitted to each plan.

## Health Care Reimbursement Accounts

You are solely responsible for justifying the medical necessity of all expenses should you be audited by the IRS.

You are responsible for submitting these expenses to your insurance carrier before you seek reimbursement.

You are eligible to be reimbursed only for expenses that are out-of-pocket to you, not covered 100% by insurance and not reimbursable through any other source.

Eligible expenses will be reimbursed provided a claim form is submitted with an acceptable proof of each incurred expense.

An acceptable proof of expense for treatment covered by insurance is an EOB (Explanation of Benefits from your insurance carrier) stating how the claim was paid.

When an EOB is not available, an acceptable proof of expense may be a receipt or statement but must contain each of the following: name of patient, date of service, description of specific treatment, out of pocket cost to the patient and Rx number for all medications.

### Eligible Expenses

Acupressure/acupuncture  
Adoption (medical expenses incurred before adoption is finalized)  
Alcoholism/ drug/ substance abuse treatment  
Ambulance  
Anesthesia  
Artificial limbs and devices  
Bio-feedback  
Birth control pills  
Blood test, x-rays and laboratory fees  
Braces, crutches and wheelchairs  
Cost, care of trained animals for impaired persons  
Chiropractic care, physical therapy, rehabilitation treatment, sports medicine, hydrotherapy  
Clinic and hospital services  
Co-insurance (the% of your expenses not paid by medical, dental or vision care)  
Counseling, psychotherapy, psychiatry care (for specific diagnosed mental ailments only – diagnosis code required)  
Deductibles for medical, dental and vision insurance  
Dental treatments, dentures and oral surgery  
Diabetic supplies, insulin, needles, test strips  
Employment taxes, meals for an attendant  
Eye examinations, treatments, eyeglasses/(prescription) sunglasses  
Gynecology and obstetrics  
Hearing exams, aids and batteries  
Homeopathic, naturopathic office visits  
Infertility services/invitro fertilization  
Invalid care  
Legal operations and surgery  
Licensed medical practitioner, physician, surgeon and podiatrist services  
Maintenance and repair of eligible equipment

### More Eligible Expenses

Medical alert jewelry  
Medical care provided by school or collage  
Midwife services and Lamaze (birthing portion)  
Nursing services for care of the ill or disabled  
Organ donor or possible organ donor Expenses  
Orthodontia (restrictions apply)  
Oxygen and oxygen equipment  
Patterning exercises for mentally retarded person  
Physical exams, preventive/routing care and vaccinations  
Prescribed medications  
Public transportation, mileage (Varies by year) tolls and parking fees to receive] eligible health care  
Purchase, rental, repair of medical equipment  
Radio keratotomy, Lasik Treatments  
Reading glasses  
Sales tax on eligible expenses  
Smoking cessation programs  
Speech therapy  
Sterilization, tubal ligation and

### Limited Purpose FSA Plans Limited to the Following:

#### Vision:

Frames (if in conjunction with prescription lenses)  
Lenses (Prescription Only)  
Over the counter (OTC) products for eye care  
Refractions  
Sunglasses (Prescription Only)  
Laser Vision Correction Procedures

#### Dental Care:

Cleanings  
Fillings  
Crowns  
Orthodontics

# Health Care Reimbursement Accounts

With each claim for possible expenses, you must include a note from an eligible provider that contains the following: name of patient, description of specific medical or mental ailment, purpose of treatment/ expenses and duration of treatment

If a specific diagnosed medical condition necessitates special equipment, the difference in cost between the special equipment, and a like model of regular, non-adapted equipment is eligible for reimbursement. Please provide proof of this difference in cost.

## Possible Eligible Expenses

Air filters and air filtration systems  
Air transportation to required medical care  
Auto modifications  
Braille books & magazines (cost over regular)  
Electrolysis (hair growth due to disease only)  
Hair removal (hair growth due to disease only)  
Heart monitor (for medical detection)  
Home modification  
Household upkeep for an attendant  
Hypnosis  
Legal fees to authorize mental treatment  
Lodging for out-of-town medical care (limitations apply)

## More Possible Eligible Expenses

Massage therapy  
Medical expenses for learning disabilities  
Orthopedic shoes  
Orthopedic support hose  
Over the counter medications\*  
Reconstructive surgery  
Rehabilitative swimming therapy  
Removal of lead-based paint  
Special devices, adapters, etc. (cost over regular)  
Special equipment (cost over regular)  
Special home for mentally retarded person  
Special telephones fore hearing-impaired (cost over regular)  
Transpiration to out-of-town medical care  
Wig (hair loss due to disease only)  
*\*Effective 2011*  
*Note from physician required*

Possible eligible expenses **may** be reimbursable depending on your circumstances.

Please call for more information regarding specific limitations on possible expenses!

## Ineligible Expenses

Air conditioning unit  
Capital expenses  
Child care while receiving medical care  
Clothing, maternity clothing, UV Protection

## More Ineligible Expenses

Cosmetic surgery, eyelifts, facelifts, facials and liposuction  
Counseling, therapy w/o diagnosed ailment  
Dental floss, toothpaste, toothpicks  
Divorce expenses  
Exercise equipment  
Expenses for general health reasons  
Expenses paid by insurance, Medicare or others  
Finance and late charges  
Funeral expenses  
General health items  
Herbs and supplements  
Household or personal help  
Illegal operations or treatments  
Impairment-related work expenses  
Individual or group insurance premiums  
Insertion or replacement of breast Implants  
Lens replacement insurance  
Maid services  
Missed appointment fees  
Non-prescription sunglasses and clip-ons  
Nursing services for a healthy baby  
Prescribed vacations  
Psychoanalysis as part of training  
Service agreements or other contracts  
Social clubs  
Special schools for discipline  
Steam baths  
Teeth bleaching  
Transgender treatments or surgery  
Transportation of or from work  
Union dues or other work-related expenses  
YMCA dues



## Dependent Care Reimbursement Accounts

An opportunity for you to use pre-tax dollars to pay for eligible dependent care expenses!

You may find that paying of these expenses on a pre-tax basis offers a greater tax advantage than taking the tax credit for these expenses on your tax return form.

You do not have to wait to get reimbursed for your expenses. You can file your claims monthly and get reimbursed as soon as the deduction is made from your paycheck.

### Eligible Expenses

Baby-sitting and childcare  
Senior day care  
Before - and after-school programs  
Nursery and pre-school programs  
Summer day camps

### Ineligible Expenses

Overnight camp  
Educational fees  
Tuition fees  
Transportation fees  
Nursing home care

### When must expenses be incurred in order to be eligible?

While you are a participant during the current Plan Year. Eligible expenses are those that enable you to work (**and**, if you are married, enable your spouse to work **or** go to school full-time at least five months during the year, **unless** he/she is incapable of self-care).

### How do I know if my expenses are eligible?

The following criteria must be met:

- The dependent is under the age of 13 **or** is physically or mentally incapable of self-care, regardless of age, **and**
  - The dependent typically lives in your home at least eight hours on each day you incur reimbursable expenses, **and**
  - You (and your spouse) pay over half the cost of maintaining a household for the dependent, **and**
  - The dependent is either claimed by you as a tax dependent or is eligible to be claimed by you as a tax dependent except: a) his/her income exceeds the exemption amount, or b) you are a custodial parent and, due to written decree, the dependent is claimed by the other parent, **and**
  - Your care provider is not a tax dependent and conforms to the state and local laws
- \* Refer to Summary Plan Description for specific definition*

### How do I estimate my expenses before I enroll in the Plan?

Think about when your Plan Year will begin and end and what eligible expenses you expect to incur during that time. Remember to think about the school year and times your expenses may fluctuate or change.

### How much pre-tax money can I use on these expenses?

The maximum amount allowed by the IRS per **calendar year** for you (and your spouse *combined*) is the lesser of your earned income, your spouse's earned income, **or**: \$5,000 if you are single (or if you are married and file a joint tax return), 2,500 if you are married and file a separate tax return, and \$3,000 for the care of one dependent and \$5,000 for the care of two or more dependents if you are married and your spouse is a full-time student or incapable of self-care **and** has no earned income.



## Estimate Your Expenses Carefully

Expenses eligible for reimbursement must be incurred during the Plan Year.

### Your Health Care Expenses:

<u>Type of Expense</u>	<u>You</u>	<u>Your Spouse</u>	<u>Your Children</u>	<u>Other Dependents</u>
Deductibles	\$	\$	\$	\$
Office Visits	\$	\$	\$	\$
Prescription Co-Pays	\$	\$	\$	\$
Counseling/Therapy	\$	\$	\$	\$
Chiropractic	\$	\$	\$	\$
% Of Medical Expenses	\$	\$	\$	\$
% Of Dental Expenses	\$	\$	\$	\$
Orthodontia	\$	\$	\$	\$
Vision Expenses	\$	\$	\$	\$
Other Expenses	\$	\$	\$	\$
<u>Subtotals</u>	\$	\$	\$	\$
Total Expenses				\$

### Your Dependent Care Expenses:

**Maximum: \$**

<u>Type of Expense</u>	<u>You</u>	<u>Your Children</u>	<u>Other Dependents</u>
Baby-Sitting/Child Care	\$	\$	\$
Nursery and Pre-School	\$	\$	\$
Before-School Programs	\$	\$	\$
After-School Programs	\$	\$	\$
Summer Day Camp	\$	\$	\$
Senior Day Care	\$	\$	\$
<u>Subtotals</u>	\$	\$	\$
Total Expenses			\$

**To calculate your tax savings, multiply your Total Expenses by your total tax bracket [the percentage of your paycheck that goes toward Federal, State, FICA and SDI taxes].**

**Please refer to your group's Summary Plan Description for complete details  
on provisions of the Plan as adopted by your Employer.**

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