

Tax Saving Benefit

Flexible Spending Accounts are governed by Section 125 of the IRS Tax Code. Here is a tax example!

WITHOUT A SECTION 125 PLAN		WITH A SECTION 125 PLAN	
Annual Salary	\$ 35,000	Annual Salary	\$ 35,000
Federal Income Tax (15%)	- 5,250	Medical Reimbursement	- 2,500
State Income Tax (3%)	- 1,050	Dependent Reimbursement	- 5,000
Social Security (7.65%)	- 2,678	Taxable Income	\$ 27,500
Net Income	\$ 26,022	Federal Income Tax (15%)	- 4,125
Medical Expenses	- 2,500	State Income Tax (3%)	- 825
Dependent Care Expenses	- 5,000	Social Security (7.65%)	- 2,104
Spendable Income	\$ 18,522	Spendable Income	\$ 20,446
Savings = \$1,924!			

List of Eligible and Ineligible Expenses

Dependent Day Care Reimbursement Account

This list is not meant to be all-inclusive.

You can get a more complete list from the IRS or a tax advisor.

Eligible Expenses - COVERED	Ineligible Expenses – NOT COVERED
<ul style="list-style-type: none"> Services provided by anyone other than your spouse or your dependent (for income tax purposes) for your child under age 13 	<ul style="list-style-type: none"> Care provided by your spouse or your dependents (for income tax purposes) for your child age 13 or older
<ul style="list-style-type: none"> Services in a day care center that complies with all state and local regulations 	<ul style="list-style-type: none"> Expenses for which you claim a dependent care tax credit on your federal income tax return
<ul style="list-style-type: none"> Services of a housekeeper whose duties include, in part, providing for a qualified dependent 	<ul style="list-style-type: none"> Housekeeping expenses not related to dependent care
<ul style="list-style-type: none"> Summer day camp 	<ul style="list-style-type: none"> Overnight camp

Health Care Reimbursement Account

This list is not meant to be all-inclusive.

You can get a more complete list from the IRS or a tax advisor.

Eligible Expenses - COVERED	Ineligible Expenses – NOT COVERED
<ul style="list-style-type: none"> Deductible, Co-payment and Coinsurance Amounts 	<ul style="list-style-type: none"> Insurance Premiums, including those for Health Plans
<ul style="list-style-type: none"> Expenses not covered by your other health care plans 	<ul style="list-style-type: none"> Any expense covered by a health care plan
<ul style="list-style-type: none"> Routine physical examinations 	<ul style="list-style-type: none"> Cosmetic treatment and related prescription drugs
<ul style="list-style-type: none"> Braces and other orthodontia 	<ul style="list-style-type: none"> Marriage or family counseling
<ul style="list-style-type: none"> Prescription medications 	<ul style="list-style-type: none"> Over the Counter medications and drugs without a physician's prescription
<ul style="list-style-type: none"> Ambulatory or other transportation services 	<ul style="list-style-type: none"> Physical fitness expenses, such as health club, YMCA or other dues
<ul style="list-style-type: none"> Eye exams, glasses, contacts, corrective vision procedures such as RK, lasik and laser surgery and Seeing Eye dogs 	<ul style="list-style-type: none"> Social activities such as dance lessons or classes, even if advised by your doctor
<ul style="list-style-type: none"> Supplies such as saline and cleaning solution 	<ul style="list-style-type: none"> Maternity clothes, diaper services and related items
<ul style="list-style-type: none"> Hearing examinations and aids 	<ul style="list-style-type: none"> Funeral and burial expenses
<ul style="list-style-type: none"> Psychoanalysis, psychiatric therapy, learning disability counseling, inpatient care and treatment for a mental or physical condition, treatment for drug abuse or alcoholism – including meals and lodging if necessary for treatment 	<ul style="list-style-type: none"> Household or domestic help – even if advised by your doctor, custodial care in an institution
<ul style="list-style-type: none"> In-home nursing services if recommended by a doctor 	<ul style="list-style-type: none"> Transportation expenses to and from work, even though a physical condition may require special transportation
<ul style="list-style-type: none"> Special medical equipment such as wheelchairs, crutches, and orthopedic shoes needed because of a medical problem 	<ul style="list-style-type: none"> Meals and lodging while away from home for medical treatment or for the relief of a specific health condition