

## 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	- 2,600
State Income Tax (3%)	- 1,050	Dependent Reimbursement	- 5,000
Social Security (7.65%)	- 2,678	Taxable Income	\$ 27,400
Net Income	\$ 26,022	Federal Income Tax (15%)	- 4,110
Medical Expenses	- 2,600	State Income Tax (3%)	- 822
Dependent Care Expenses	- 5,000	Social Security (7.65%)	- 2,096
Spendable Income	\$ 18,422	Spendable Income	\$ 20,372
Savings = \$1,950!			

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

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