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Healthcare Flexible Spending Account

The Basics

The Healthcare Flexible Spending Account (HFSA) program is an employee benefit plan that allows you to pay for certain types of healthcare expenses with before-tax dollars. You currently pay for these expenses with after-tax dollars, so the Healthcare Flexible Spending Account will save you money on taxes and you will benefit from more of the money you earn.

TAX SAVING TIP

What Kind of Expenses Qualify?

You may include expenses for healthcare which are not reimbursed by your medical, dental or vision insurance plans and are prescribed or required by your doctors in writing. Eligible expenses include*:

- Deductibles under medical insurance policies
- Charges not covered under insurance policies
- Pre-existing conditions not covered under insurance policies
- Dental and orthodontic expenses
- Vision exams, glasses and contact lenses
- Prescription medication and supplies
- Physical and mental therapy
- Chiropractic care

**Reimbursement of Eligible Expenses is governed by the Internal Revenue Service's Code regulations, advisories, and rulings.*

How Does the Healthcare Flexible Spending Account Work?

The Healthcare Flexible Spending Account will allow you to set aside before-tax dollars from your paycheck to pay for your out-of-pocket healthcare expenses. Funds from

your account can be used to pay for eligible uninsured healthcare expenses for you and your dependents.

To participate in the plan, you must designate the total amount you would like to contribute for each plan year. A portion of your total contribution will be deducted from each paycheck you receive during the plan year. When you incur an eligible medical care expense, simply submit a claim and you will be reimbursed Tax-Free from the account.

When making your calculation, it is important to remember that you are only estimat-

ing expenses for the current plan year. Only expenses incurred between your HFSA effective date for the new plan year and the end of each plan year will be eligible for reimbursement through this account. According to IRS regulations, any money remaining in your account at the end of the plan year (and is not claimed within three months following the end of the plan year) will be forfeited.

An Example

	Without HFSA Plan	With HFSA Plan
Annual Gross Pay	\$30,000.00	\$30,000.00
Before-tax Healthcare Expenses	0.00	-1,000.00
Taxable Gross Pay	\$30,000.00	\$29,000.00
Federal Income Tax (25%)	-7,500.00	-7,250.00
FICA Tax (7.65%)	-2,295.00	-2,218.50
After-tax Healthcare Expenses	-1,000.00	0.00
Net Take-home Pay	\$19,205.00	\$19,531.50

Total Annual Tax Savings \$326.50

