

Save Money



Use “pre-tax” dollars to pay for health and dependent care expenses....

The Flexible Benefits Plan provides employees the opportunity to save on taxes and to earmark their money to pay for the benefits they really need.

Flexible Spending Accounts (FSA's) are personal accounts, similar to checking accounts. Your **pre-tax** payroll deductions are deposited into a personal account and you are free to draw on them for reimbursement of medical or dependent care expenses. You get the advantage of using **tax-free dollars** instead of after-tax dollars to pay for your expenses.

There are two types of FSA accounts; 1) Health Care, and 2) Dependent Care. You can choose to participate in one or both, depending on your specific needs. To get reimbursed you simply submit your receipts along with a claim form.

The savings can be significant. The following is an example of Dependent Care savings based on earnings of \$15.00 per hour, paid bi-weekly for an employee claiming married with 2 dependents and a pre-school expense of \$60.00 per week (\$120.00 bi-weekly)

	<i>Without FSA</i>	<i>With FSA</i>
Gross Bi-Weekly Salary	\$1200.00	1200.00
Pre-School Expense	---	120.00
Total Taxable Income	1200.00	1080.00
Federal Taxes	111.06	93.06
State Taxes	20.19	15.39
Social Security	91.80	82.62
Less Pre-School Expense	120.00	---
Spendable Income	856.95	888.93

Net increase in spendable income = \$31.98/bi-weekly or \$831.48/year.

Think of it this way:

Without FSA \$ 120.00 pre-school expense with after tax dollars
With FSA Savings \$(31.98) savings in take home pay

\$ 88.02 actual out-of-pocket pre-school cost

That’s a savings of 27% !

2 types of plans to choose from...

1. **Health Care Spending Account.** Covers up to \$5,000.00 per plan year of all eligible health expenses not reimbursed by any insurance plan for yourself and your dependents. Some examples include:
 - Acupuncture fees
 - Braces, orthodontic (non-cosmetic)
 - Certain over-the-counter medication
 - Chiropractic
 - Co-payments – under health plan
 - Dermatologist's fees
 - Hearing aids and batteries
 - Nursing Services
 - Psychiatrist/Psychologist
 - Prescriptions
 - Radial Keratotomy/Lasik
 - Vision care
 - Wheelchair
2. **Dependent Care Spending Account.** Designed for people who are paying to provide various types of care to their dependents.
 - Daycare, Pre-school, nursery school, childcare centers, baby-sitters
 - Homecare or dependent care for disabled dependent who lives with you
 - Household expenses, providing a portion of these are incurred to ensure a qualifying dependent's well-being and protection

Eligible dependents: Dependents under 13 years of age or, regardless of age, dependents who are physically or mentally incapable of self-care. In addition, the dependent must be claimed as a dependent on the employee's tax return.

Max. Yearly Amount: \$5,000 per family (\$2,500 if married & filing separately).

Should you set up a dependent care spending account? The answer depends on your income. You're also eligible for the federal tax credit for dependent care, so you must decide whether the tax credit or the spending account offers the maximum tax savings. However, in general employees earning more than \$25,000 are almost always better off taking advantage of the FSA.

Each year you must determine the amount you want to set aside to pay for dependent care or health expenses. Any unused dollars at the end of the plan year will be forfeited and are made available for City use. For this reason it is important to estimate and fund your accounts conservatively to avoid unused dollars at the end of the plan year.

Because the tax-savings are so significant (no federal, state or FICA taxes withheld), we encourage you to explore this potential benefit.

If you need assistance, claim forms, or have specific questions, please contact the Human Resources Department.