

THE CITY OF SAN JOSE, CALIFORNIA

FLEXIBLE SPENDING ACCOUNT GUIDE

Provided by Provest Flexible Benefits
formerly New Liberty Administrators

www.provest.com

“Tax Free Benefits”

What is a Section 125 Cafeteria Plan, also known as a flexible spending plan (FSA), and how does it work?

Authorized by Section 125 of the Internal Revenue Code, an FSA is an employee benefit plan that allows employees to pay for some benefits *BEFORE* they are subject to Federal and State Income Tax or Social Security Taxes (FICA), thus **reducing the amount of taxes you pay**.

What “tax free” benefits are available?

Any premiums you contribute on behalf of yourself or your dependents who participate in your company’s **health care insurance** package will be paid out of gross income, not net income. *That means your premiums are paid with “tax free” (pre-tax) dollars.*

You have the opportunity to participate in the **Dependent Care benefit**. This allows eligible employees to have their dependent i.e., child care expenses taken out of their paycheck on a “tax free” basis. This benefit will save you a minimum of 25% of your dependent care expenses. Your children must be under the age of 13 and cared for by someone with a Social Security or Federal Tax I.D. number. Under your plan, each year you can use up to \$5,000 pre-tax, whether you have one or more children. There are certain guidelines to follow when using this account. You can only adjust your plan allocation if your child care provider increases your rates during the plan year, or you experience one of the IRS defined family status changes. You cannot use the child care credit on your income taxes at the same time as the dependent care account under the cafeteria plan. (Please consult with your tax professional.)

The next plan benefit is the **Medical Reimbursement Account**. This is a way you can be reimbursed from the first dollar you spend for medically related expenses that are not covered by your major medical health insurance. This includes expenses for you and your dependents, including co-pays, co-insurance, and deductibles covering medical, dental, vision, as well as costs for prescription drugs, and many other non-covered medical expenses. The brochure on our website (www.provest.com / for San Jose, has a list of permissible expenses.

Once you elect how much to allocate to this account, you cannot change until the beginning of the new plan year.

You’ll want to be very careful how much you set aside for this account because you want to use it up. **Unused medical reimbursement dollars** cannot be carried into the next plan year, thus any unused portion will be forfeited to your employer and in

some cases may not be returned to you. The annual maximum contribution for medical reimbursement is \$2,500.

How do I get reimbursed for these expenses?

In order to be reimbursed, you need to **copy billing statements or receipts** and submit them with the **reimbursement request** that you receive each month. The reimbursement check stub will also provide you with a **running balance** of your account.

The City asks that you turn in your reimbursement request with applicable receipts to New Liberty, either by mail, e-mail, or fax, as soon as possible in order to be reimbursed. (New Liberty Administrators - 4050 Katella Avenue, Suite 213, Los Alamitos, CA 90720) If you have any questions regarding completing reimbursements, please call the Call Center (toll free) at 866-639-5289.

How do I enroll?

Apply on The City of San Jose’s Employee Website, or complete the enrollment application on the City of San Jose section of the Provest Website (www.provest.com), and mail to Provest Flexible Benefits (formerly New Liberty Administrators) at 4050 Katella Avenue, Suite 213, Los Alamitos, CA 90720. If you have any questions regarding completing the application, please call the Call Center (toll free) at 866-639-5289.



FSA Calculation Worksheet - EXAMPLE

To help estimate your annual expenses, enter monthly amounts and multiply the total by 12. This list is not all inclusive. List other medical expenses that are not covered by your primary health insurance.

ITEM	MONTHLY EXPENSE
Medical Plan Deductibles	\$ _____
Office visit co-pays	\$ _____
Prescription co-pays	\$ _____
Physical exams	\$ _____
Vision exams / co-pays	\$ _____
Glasses, frames, contacts	\$ _____
Lasik Surgery	\$ _____
Hearing aids / batteries	\$ _____
Dental exams / co-pays	\$ _____
Orthodontia	\$ _____
Anesthesia	\$ _____
Chiropractic	\$ _____
Acupuncture	\$ _____
Physical Therapy	\$ _____
OTC medications	\$ _____
Marriage / Family Counseling	\$ _____
Birth Control	\$ _____
Diabetic Supplies	\$ _____
Other	\$ _____
TOTAL	\$ _____
X 12 = ANNUAL ESTIMATE	\$ _____

This is the amount to set aside "pre-tax", for medical reimbursements. The maximum is \$ 2,500.00.

How it works - EXAMPLE

Following is a simple example of how it works with your payroll. In this example, at a 25% tax bracket, your taxable income is reduced \$ 100, with a consequent tax reduction of \$25.00.

Without an FSA:

Salary - taxable income	\$2,000
<u>Taxes @ 25%</u>	<u>- \$500</u>
Take home pay	\$1,500
<u>Non covered medical expenses</u>	<u>- \$ 100</u>
Remaining Amount	<u>\$1,400</u>

With an FSA:

Salary - taxable income	\$2,000
<u>FSA contribution deducted used to pay medical bills later:</u>	<u>- \$ 100</u>
Adjusted Taxable income	\$1,900
<u>Taxes @ 25%</u>	<u>- \$475</u>
Take home pay / remaining	<u>\$1,425</u>

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This brochure is for use in California.