

FLEXIBLE SPENDING ACCOUNTS (FSAs)

If you have predictable health care or dependent day care expenses, the FSAs may be a good solution for you to pay for these expenses using tax-free dollars!

You may choose to set aside some of your pay into one or both FSAs before federal, Social Security (FICA), Medicare, or other taxes are withheld. This reduces your taxable pay, and you end up paying taxes on a smaller amount of income. Then, as you incur eligible out-of-pocket expenses, you can reimburse yourself for with money from your FSA. The money goes into your account untaxed, and remains untaxed when you receive it.

Making FSAs Work For You

The key to making FSAs work for you is to use your FSA for predictable expenses only—in other words, expenses you know you will incur during the 2009 plan year (January 1 – December 31, 2009).

- **Estimate Your Expenses Carefully Before You Enroll.** Calculate what you are likely to spend on health care and dependent care expenses during the plan year.
- **Make Contributions.** Your FSA contributions will automatically be deducted from your paychecks in equal amounts throughout the year.
- **Incur Your Expenses.** When you incur an eligible health care or dependent care expense, you will submit a claim form to the FSA plan administrator, SHPS. In some instances, it is not necessary for you to actually pay the bill before filing a claim for reimbursement—all that matters is that you have incurred the expense and it is not being reimbursed by any other source.



- **File for Reimbursement.** When you file a claim, you must include a copy of the receipt for paid medical or dependent care expenses or the explanation of benefits (EOB) form from your insurance company. To be reimbursed for over-the-counter medical expenses, include the store receipt with your claim form. The claims administrator, SHPS, will process your claim and send you a reimbursement check or, if you prefer, deposit the reimbursement directly into your checking account through electronic funds transfer (EFT). You must apply online for the EFT option.

Important FSA Rules

Because FSAs can give you a significant tax advantage, they must be administered according to specific Internal Revenue Service rules.

- **You must spend the money you put aside on expenses incurred during the 2009 plan year.** You will forfeit any money in your FSA accounts that is not used to pay eligible expenses incurred between January 1 and December 31, 2009. You have until March 31, 2010 to submit claims to SHPS.
- **Your FSA contributions will be in effect the entire plan year (January 1 – December 31).** You may only change your FSA contributions if you have a qualified life status change, such as marriage, divorce, or the birth of a child.
- **If you are currently enrolled in an FSA and wish to continue during the next plan year, you must re-enroll during annual enrollment.**

How to Enroll in an FSA

After determining how much you want to set aside, you're ready to enroll on the SHPS Web site. There is no paper enrollment.

- 1 Go to www.myshps.com between November 3 and November 26, 2008.
- 2 Click on the *Participants/Members* link.
- 3 Enter your last name, Social Security Number, and password (your password will be your date of birth, in MMDDYYYY format, until you change it).

4 Follow the instructions for enrolling in the Los Angeles Community College District's FSAs.

5 Print a copy of your enrollment election or request to receive your confirmation via e-mail.

When you enroll using the ESS portal, you will have the option of connecting to the SHPS Web site after you have printed out your confirmation statement and clicked on *Finish*.

An Overview of the Flexible Spending Accounts

	Health Care FSA	Dependent Care FSA
How Much You Can Contribute Each Plan Year (January 1 - December 31)	Up to \$5,000	Up to \$5,000, depending on your marital and tax-filing status
Who Can Incur Eligible Expenses	Your FSA covers you, your legal spouse, and your dependent children – even if you do not cover them under any health care plans.	<ul style="list-style-type: none"> ■ Your children age 12 or younger who live with you as a claimed dependent on your federal income tax return ■ Anyone over age 12 whom you claim as a dependent on your federal tax return – including your spouse or elderly parent – who needs care due to a physical or mental disability
	You may not use your FSA to pay expenses incurred by your domestic partner (or your domestic partner's child) unless that person qualifies as a "tax dependent" under Internal Revenue Code Section 152. A person generally would qualify as a tax dependent if you provide more than 50% of that person's support; the person lives with you for the entire calendar year; the person is a U.S. citizen or resident; and the person's relationship with you does not violate any local laws. Consult your tax adviser regarding your domestic partner's tax status.	
Examples of Eligible Expenses A complete list of eligible expenses is provided in IRS Publications 502 and 503, available at www.irs.gov	Your share of medical, prescription, dental, and vision care expenses, such as: <ul style="list-style-type: none"> ■ Deductible, copayments, and coinsurance ■ Orthodontia ■ Prescription eyeglasses and sunglasses, contact lenses, and lens solution ■ Laser eye surgery ■ Nonprescription medications and drugs, such as pain relievers, antacids, and allergy and cold medicines 	Child day care or elder care so that you – and your spouse, if you are married – can work <ul style="list-style-type: none"> ■ Dependent care provided inside or outside your home ■ Care at licensed pre-school facilities, nursery schools, day camps (not overnight camps), or day care centers for dependent adults or children ■ Before- and after-school care ■ A portion of a housekeeper's services that includes providing care for your eligible dependent
Examples of Ineligible Expenses	<ul style="list-style-type: none"> ■ Services that are not medically necessary (like cosmetic surgery) ■ Nonprescription products used for general health (like vitamins, diet supplements, or toothpaste) ■ Expense that will be reimbursed by another source 	<ul style="list-style-type: none"> ■ Food, clothing, education (including kindergarten and higher grades) ■ Payments to your spouse, parent, or dependent child under age 19 ■ Care provided during nonworking hours
Reimbursement for Your Expenses	You can be reimbursed up to the full amount of the annual health care FSA contribution you elected – even if all of the money has not yet been deposited into your account.	You will be reimbursed up to the current account balance; future reimbursements are available as additional money is deposited to your account.
Claim Filing Deadline	March 31 for expenses you incur during the preceding plan year	