FlexSystem®

Flexible Spending Account (FSA)

Valuable pre-tax benefits with convenient tools

Why not use pre-tax dollars to pay for medical co-pays, prescriptions, and/or daycare fees, thereby reducing your taxable income and increasing your take-home pay? It's a no-brainer.

The pre-tax advantages of a Flexible Spending Account (FSA) allow you to save **up to 30%** on your eligible healthcare and/or dependent care expenses every year. Consider how much you spend on these costs for you and your qualified dependents in one year and how much you could save by using pre-tax dollars.

How it Works

FlexSystem FSA is offered through your employer and is administered by TASC. When you choose to enroll in a FlexSystem Healthcare and/or Dependent Care FSA, you determine the dollar amount you want to contribute to each account based on your estimated expenses for the upcoming Plan Year. Your contributions will be deducted in equal amounts from each paycheck, **pre-tax**, throughout the Plan Year.

The more you contribute to these accounts, the more you reduce your taxable gross salary. And with less taxes taken, your take-home pay increases!

Your total annual Healthcare FSA contribution amount is available immediately at the start of the Plan Year. Dependent Care FSA funds are available up to the current account balance only.

Online Enrollment and Contributions

Annual FSA contributions are set by your employer, but are limited to the IRS maximums per Plan Year. View current IRS limits at: www.tasconline.com/biz-resource-center/benefits-limits/

Use our **online tax-savings calculator** to help determine how much you should contribute to each FlexSystem account per year.

The TASC Card Convenience

Enjoy easy access to your FSA funds with the swipe of a card instead of out-of-pocket spending and requesting a reimbursement!

Pre-Tax Savings Example

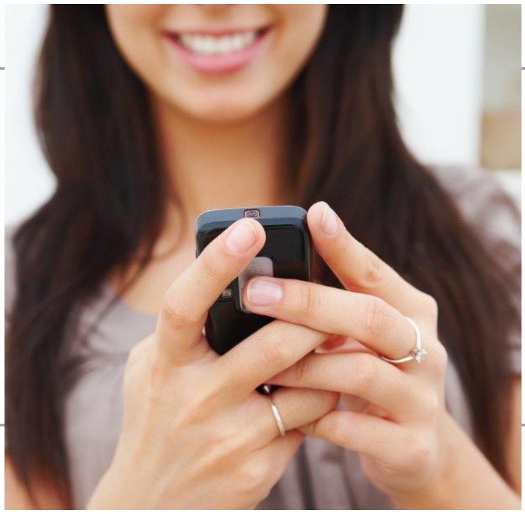
	Without FSA	With FSA
Gross Monthly Pay:	$3,500	$3,500
Pre-Tax Contributions		
Medical/Dental Premiums	$0	-$125
Medical Expenses	$0	-$75
Dependent Care Expenses	$0	-$400
TOTAL:	$0	**-$600**
Taxable Monthly Income	**$3,500**	**$2,900**
Taxes (federal, state, FICA):	-$968	-$802
Out-of-pocket Expenses:	-$600	$0
Monthly Take-home Pay:	**$1,932**	**$2,098**

Net Increase in Take-Home Pay = $166/mo!

For illustration only. Actual dollar amounts may vary.

Carryover puts your mind at ease!

When your employer elects the Carryover option with your Healthcare FSA Plan, up to $500 of any leftover healthcare funds may be carried over into the next Plan Year with no cost or penalty.



Multiple self-service tools available to easily manage your FlexSystem account(s) and TASC Card transactions:

MyTASC Online: www.tasconline.com
MyTASC Mobile App: www.tasconline.com/mobile
MyTASC Text Messaging (SMS)

How to Access Your FSA Funds

As eligible expenses are incurred, you have two options to access your available FlexSystem FSA funds:

1) TASC Benefits Card: upon enrollment into the Plan, you will receive a TASC Card in the mail, which can be used to pay for eligible expenses at the point of purchase. Simply swipe your TASC Card where MasterCard is accepted.

With smart card technology, the TASC Card automatically pays for and substantiates most eligible expenses without requiring any paperwork.

2) Request a Reimbursement: simply submit a request for reimbursement to FlexSystem using one of the following methods:

- Submit via MyTASC Mobile App (free download)
- Submit via MyTASC Text Message (SMS)
- Download Request for Reimbursement form online (paper)

Your reimbursement is direct deposited into your **MyCash account** or a designated bank account. MyCash funds are accessible via your TASC Card to be used for ***any*** type of purchase or ATM cash withdrawal.

Eligible Expenses

FlexSystem FSA funds may only be used for eligible expenses under your healthcare FSA and/or dependent care FSA. Some eligible expenses include:

- Medical/dental office visit co-pays
- Dental/Orthodontic care services
- Eye exams and prescription glasses/lenses
- Prescriptions
- Vaccinations
- Daycare Fees

A complete list can be found at www.irs.gov in IRS Publications 502 & 503. Please note insurance premiums are NOT eligible for reimbursement.

Important Considerations

FSA Funds do not Rollover:
It is important to be conservative in making elections because any unused funds left in your FSA at the close of the Plan Year are not refundable to you (the exception to this rule is for the Healthcare FSA where funds (up to $500) may carryover to the next Plan Year Healthcare FSA as elected by your employer). You are urged to take precautionary steps, such as tracking account balances on the FlexSystem website and/or using the Interactive Voice Response System, to avoid having funds remaining in your account at year-end.

Changing Elections During the Plan Year:
You may change your FSA elections during the Plan Year only if you experience a change of status such as:

- a marriage or divorce
- birth or adoption of a child, or
- a change in employment status

Refer to the *Change of Election Form* (available from your employer) for a complete list of circumstances acceptable for changing elections mid-year.

HSA | Health Savings Account

Valuable tax-savings on healthcare expenses for today *and* tomorrow

Increase your take-home pay by using pre-tax dollars to pay for eligible healthcare expenses! A Health Savings Account (HSA) works with your High Deductible Health Plan (HDHP) and lets you set aside a portion of your paycheck—before taxes—into an account. Use those funds to help pay for medical expenses (before you reach your deductible) that aren't covered by your HDHP.

It's simple. It's smart. It'll save you money and help you plan for future medical expenses.

The Triple Tax Advantage

TASC HSA is a tax-advantaged investment vehicle that offers three separate tax benefits:

1. Contributions into an HSA are **pre-tax**.
2. Earned interest on investment funds is **tax-free**.
3. Withdrawals for qualified medical expenses are **tax-free**.

Benefits of an HSA

- **Reduces your taxable income.** Your elected Plan contributions are deducted from your payroll **pre-tax**, which reduces your taxable income and thereby increases your take-home pay.
- **Gives you control.** Funds in your TASC HSA stay with you, even if you change jobs. And, if you're no longer covered by an HDHP, your HSA stays active and remaining funds can still be used for medical expenses.
- **Grows with you.** If you maintain a minimum balance of $2,000, any additional funds may be invested in top-ranking mutual funds yielding tax-free earnings.
- **Helps you plan for the future.** Until you turn 65, withdrawals used for eligible expenses are tax-free. After you turn 65, or if you become disabled, your HSA becomes similar to a regular IRA. Withdrawals you use for non-eligible expenses will be taxed at your regular income tax rate but won't incur additional penalties.

TASC HSA Service Features

- Online enrollment and account management
- Benefits debit card for eligible purchases
- Top rated investment options
- Fast reimbursements

HSA Eligible Expenses

- Expenses for most medical care and services
- Dental care services
- Vision care expenses
- Prescriptions
- Certain over-the-counter medications
- Certain insurance premiums

Complete lists of eligible and non-eligible expenses can be found in IRS Publication 502, which can be accessed by visiting www.irs.gov.

Continued...

How the TASC HSA Plan Works

You and your employer can deposit money into your TASC HSA, up to an annual per person or family limit set by the IRS. You can use money in your HSA to pay for insurance deductibles and medical care/supplies such as dentistry, ophthalmology, and prescription drugs.

When you enroll online and set up your TASC HSA investment accounts, you'll be given access to a secure, easy-to-use web portal where you can track your account balance, manage your investment accounts, and submit a request for distribution.

In addition, you'll be issued a **benefits debit card** you can use at point-of-sale to pay for approved medical expenses. You can request distributions online for any purchases not made with your debit card. Payment will be made based on your available funds and may be sent via direct deposit.

You can make contributions anytime during the Plan Year, up to the annual maximum. All of your contributions are tax-deductible. Your HSA is similar to an IRA, but better. Withdrawals used for eligible medical expenses are always tax-free.

View current IRS limits for HSA contributions at: www.tasconline.com/benefits-limits

How it Saves You Money

Enrolling in the TASC HSA can help you save money in several ways. Choosing an HDHP may help you reduce your monthly insurance premiums and you can use these savings to fund your TASC HSA. Money you deposit into your HSA isn't subject to income taxes, which means your take-home pay increases. Use money from your HSA to pay for medical care/supplies that aren't typically covered by health insurance. Because that money isn't taxed, you're essentially getting a 25% to 40% discount on these expenses. Unused money kept in your HSA may be invested in mutual funds with no taxes to you on qualified withdrawals, interest, or growth.*

Your HDHP monthly premiums may lower.	You contribute a tax-free amount each month.	You use your funds to pay un-covered expenses.	Your unused funds earn interest, and can be invested in mutual funds*.
Savings #1	**Savings #2**	**Savings #3**	**Savings #4**
You (or your employer) pay lower premiums.	Your take-home pay increases by your tax rate	You essentially get a 25% to 40% discount on medical expenses.	You don't get taxed on qualified withdrawals, interest, or growth.

Important Considerations

Eligibility:

- If you are claimed as a dependent on someone else's taxes or are covered by any other health insurance policies that are not considered HDHPs, including Medicare and unlimited Flexible Spending Accounts, you are not eligible for an HSA.
- If you participate in an unlimited FSA or HRA through your employer or your spouse's employer, you are not eligible for an HSA.
- You and your spouse can each have an HSA if you both have high deductible coverage. If you have family HDHP coverage, the maximum contribution is split equally unless you and your spouse agree on a different division.

Reimbursement:

- You don't have to submit receipts to receive your reimbursement. However, you need to keep receipts and documentation for each year's federal tax return (Form 8889 attached to Form 1040).
- You can make a withdrawal at any time. Reimbursements for qualified medical expenses are tax-free. If you are disabled or reach age 65, you can receive non-medical distributions without penalty, but you must report the distribution as taxable income. You may also use your funds for a spouse or dependent not covered under your HDHP.

Using an HSA with an FSA:

As long as the FSA is a Limited-Purpose FSA (dental and/or vision expenses only), you can also have an HSA.

Timing:

- You're eligible to begin an HSA plan starting on the first day of each month. If you get HDHP coverage mid-month, your HSA eligibility starts on the first of the following month.
- An HSA must be set up and the contributions must be made by your tax return due date for the year, not including extensions.

TASC HSA
Health Savings Account

HSA Eligible Expenses

Healthcare expenses eligible for reimbursement.

Over-the-counter (OTC) medicines and drugs, except for insulin, require a prescription from your physician to be eligible for reimbursement from your TASC HSA. Keep your prescription on file with your HSA receipts. Disbursements of OTC health-related supplies continue to be eligible without the additional documentation from your physician. Below is a sample list of expenses eligible for disbursement through an HSA that are incurred by you, your spouse, or qualified dependents.

Medical Expenses

- Acupuncture
- Artificial limbs
- Bandages
- Birth control, contraceptive devices
- Birthing classes/Lamaze – only the mother's portion, not the coach/spouse (birthing instruction only, not child rearing)
- Blood pressure monitor
- Blood sugar test kits/test strips
- Chiropractic therapy/exams/adjustments
- Contact lens and contact lens solutions
- Co-payments
- Crutches (purchased or rented)
- Deductible and co-insurance
- Dental services
- Diabetic supplies
- Eye exams
- Eyeglasses, contacts, or safety glasses, prescription only (warranties are not reimbursable)
- Flu shots
- Hearing aids and hearing aid batteries (warranties are not reimbursable)
- Heating pad
- Incontinence supplies
- Infertility treatments
- Insulin
- Lactation expenses (breast pumps, etc.)
- Laser eye surgery; LASIK
- Legal sterilization
- Medical supplies to treat an injury or illness
- Mileage to and from doctor appointments
- Nasal strips
- Optometrist's or ophthalmologist's fees
- Physicals
- Physical therapy (as medical treatment)
- Physician's fee and hospital services
- Pregnancy test
- Prescription drugs and medications
- Psychotherapy, psychiatric, psychological service
- Reading glasses
- Sales tax on eligible expenses
- Sleep apnea services/products (as prescribed)
- Smoking cessation programs
- Treatment for alcoholism or drug dependency
- Vaccinations
- Vision expenses
- Wrist supports, elastic wraps
- X-ray fees

OTC Medicines and Drugs

(Prescription Required for Disbursement)

- Bengay, Flexall, pain relieving creams or gels
- Calamine lotion
- Canker/cold sore relievers
- Cold medicines
- Corn removal
- Diaper rash ointment
- GasX, baby gas drops
- Hemorrhoid creams and treatments
- Hydrogen Peroxide or rubbing alcohol
- Indigestion or anti-acid relievers
- Laxatives
- Nicotine patch
- Pain relievers (Tylenol, Advil, Aspirin, etc)
- Sinus medicines
- Suppositories
- Teething gel
- Wart removal medication

Additional qualified expenses:

- Qualified long-term care insurance premiums
- COBRA healthcare premiums

For individuals over age 65:

- Medicare Parts A or B
- Medicare HMO premiums (Note: Medigap insurance premiums do NOT qualify.)
- Health insurance premiums while receiving unemployment compensation.
- Employee share of premiums for employer-sponsored health insurance, including retiree health insurance (if not already taken before taxes).

TASC • 2302 International Lane • Madison, WI 53704-3140 • 800-350-3778 • Fax: 608-245-3623 • www.tasconline.com

FSA benefit options for HSA Participants

A **Limited-Purpose Flexible Spending Account (FSA)** is a savings option for employees who are enrolled in a Health Savings Account (HSA). The Limited-Purpose FSA works like a general-purpose (or full coverage) FSA: Participants use pre-tax dollars to pay for qualified healthcare expenses incurred during the Plan Year, but is *limited* to only vision and dental expenses.

When you (or your spouse) enroll in an HSA Plan, you may no longer participate in a full coverage Healthcare FSA. Instead, you are eligible for a Limited-Purpose Healthcare FSA through your employer-sponsored FSA Plan. *Note: Participation in an HSA Plan has no bearing on participation in the Dependent Care FSA.*

Benefits of a Limited-Purpose FSA

A Limited-Purpose FSA allows you to continue to contribute to an HSA while also contributing to an FSA for vision and dental expenses. This additional pre-tax deduction helps you maximize your tax savings beyond the HSA Plan alone.

What expenses can be reimbursed under a Limited-Purpose FSA?

- **Dental expenses:**
  - Braces and orthodontia
  - Cleanings
  - Crowns
  - Fillings
  - Dentures
  - Co-payments and deductibles
- **Vision expenses:**
  - Eye exams
  - Prescription eyeglasses/contacts
  - Contact lens solution
  - Prescription drugs/medications
  - Laser eye surgery; LASIK
  - Co-payments and deductibles

Savings Examples

HSA with Limited FSA:

Jane elects to participate in the Health Savings Account this Plan Year. She anticipates $500 in medical and vision expenses for the year, of which $200 is for new contacts. She must enroll in the Limited Scope Healthcare FSA to be reimbursed for her contacts. The $300 balance can be reimbursed through her Health Savings Account.

FSA Only:

John elects to participate in the traditional health plan for the Plan Year. He anticipates $1,000 in medical, dental, and vision expenses for the year. He can enroll in the full coverage Healthcare FSA.

Participation is Easy!

Similar to a Full FSA, the first step is to determine your annual election amount to the Limited FSA for the Plan Year based on your total eligible costs (enroll online with FlexSystem). Your annual contribution will be deducted **pre-tax** from your paycheck in equal amounts throughout the Plan Year, but the total election amount is 100% available to you on the first day of the Plan Year. As you incur eligible expenses, simply submit a Request for Reimbursement form to FlexSystem (via MyTASC online) -- **or** swipe your **TASC Card** (mailed to you upon Plan enrollment) at the point of purchase for a most convenient method of accessing your FSA dollars! **The TASC Card may only be used for eligible vision/dental expenses.**

Determine if your Dependent Care expenses qualify for FSA reimbursement.

The FlexSystem Dependent Care FSA allows you to use pretax dollars to pay for eligible expenses related to care for your child, disabled spouse, elderly parent, or other dependent who is physically or mentally incapable of self-care, so you (or your spouse) can work, look for work, or attend school full time. **Medical expenses for your dependent are not eligible for reimbursement under the Dependent Care FSA.**

Eligibility for the dependent care benefit requires that certain criteria be met, which is outlined in this document.

A) **The dependent care expenses must be work-related.** The care must be necessary for the employee and/or the employee's spouse to work, to look for work, or to attend school full-time, or if they are physically unable to care for their children.

B) **The dependent care expenses provided during a calendar year cannot exceed $5,000.** In the case of a separate return by a married individual, the limit is $2,500. This amount may be less if the employee's earned income or spouse's earned income is less than $5,000.

The dependent care expenses must be for the care of one or more qualifying persons. A "Qualifying Person" is defined as one of the following:

A) A dependent who was under age 13 when the care was provided and for whom an exemption can be claimed.

B) A spouse who was physically or mentally not able to care for himself or herself, and lived with you for more than half the year.

C) A dependent who was physically or mentally not able to care for himself or herself and for whom an exemption can be claimed, and lived with you for more than half the year.

Eligible and Ineligible Expenses for Dependent Care FSA Reimbursement (partial list):

Allowed for Reimbursement:

- ☑ Fees for licensed day care or adult care facilities
- ☑ Before and after school care programs for dependents under age 13
- ☑ Amounts paid for services (including babysitters or nursery school) provided in or outside of your home
- ☑ Nanny expenses attributed to dependent care
- ☑ Nursery school (preschool) fees
- ☑ Summer Day Camp – primary purpose must be custodial care and not educational in nature
- ☑ Late pick-up fees

NOT Allowed for Reimbursement:

- ⃠ Medical expenses
- ⃠ Baby-sitter in or out of your home for reasons other than to enable you to work
- ⃠ Activity fees/ educational supplies
- ⃠ Food, clothing, and entertainment
- ⃠ Transportation expenses
- ⃠ Child support payments
- ⃠ Kindergarten fees
- ⃠ Overnight camp
- ⃠ Late payment charges

Continued on next page...

For more information regarding Dependent Care FSA expenses, please review IRS Publication 503 or ask your employer for a copy of your Summary Plan Description (SPD).

You can also find helpful information and rates on our resource page at:

www.tasconline.com/biz-resource-center/benefits-limits/

How Much Should You Contribute?

Determine your total annual amount of qualified dependent care expenses for the Plan Year. Your annual contribution to the FlexSystem Dependent Care FSA must be within the minimum and maximum amounts set by your employer based on the maximum allowed by the IRS (view IRS limits at www.tasconline.com/biz-resource-center/benefits-limits/).

To receive the dependent care benefit, one must follow these procedures:

A) All persons and organizations that provide dependent care for a qualified person must be identified. This information is requested on IRS Form 2441. The name, address, and taxpayer identification number of the provider must be included. Under certain circumstances, the taxpayer identification number will be a social security number.

B) If the care is being provided by a center that cares for more than six persons, the center must comply with all state and local regulations.

C) Payments made to relatives who are not dependents can be included. However, do not include amounts paid to a dependent for whom you can claim an exemption or for your child who is under age 19 at the end of the year, regardless of whether he or she is your dependent.

D) Use Form W-10 to request the required information from the care provider.

Special rules apply to children of divorced or separated parents:

Even if you cannot claim your child as a dependent, he or she is treated as your qualifying person if all of the following are true:

- The child was under age 13 or was not physically or mentally able to care for himself or herself.
- One or both parents provided more than half of the child's support for the year and are divorced, legally separated, or lived apart at all times during the last 6 months of the calendar year.
- One or both parents had custody of the child for more than half of the year.
- You were the child's custodial parent. The custodial parent is the parent having custody for the greater portion of the calendar year. If the child was with both parents for an equal number of nights the parent with the higher adjusted gross income is the custodial parent.

A non-custodial parent that is entitled to claim the child as a dependent on their tax return may not treat the child as a qualifying individual for the dependent care benefit even when that parent is financially responsible for providing the care. Only one parent (the custodial parent) may qualify for the dependent care benefit for a taxable year. The regulations do not provide any relief for a non-custodial parent that incurs dependent care expenses for the portion of the year in which they have custody of the child to enable the non-custodial parent to work.