



JR3 EDUCATION ASSOCIATES, LP Flexible Spending Account

What is a Section 125 Plan?

A Section 125 Cafeteria Plan is an employee benefit plan that is authorized under Section 125 of the Internal Revenue Code. A Section 125 Plan simply allows employers the opportunity to offer certain eligible benefits that are selected by their employees to be deducted from their paychecks BEFORE taxes are calculated! A sample paycheck below illustrates how this plan works.

Your benefit choices include:

- A Medical Care FSA that permits you to pay for unreimbursed health care expenses with pre-tax dollars (see attached sheet)
- A Dependent Care FSA that permits you to pay for work-related dependent care expenses with pre-tax dollars

How Does a Medical Care FSA Work?

- Carefully determine your expected annual qualified expenses. Using the provided worksheet, divide the total annual amount by the number of paychecks you receive per year. This is the amount you will put on your election form.
- These dollars are taken out of your pay BEFORE taxes are taken out, and are contributed to your personal medical care FSA.
- Once you have incurred an expense, you may file a claim on the Reimbursement Request form provided to you or you may visit Alt Benefits web site at www.altbenefits.com go to forms and complete the on line claim form and submit your receipt.
 - If the expense is a covered expense, you first will file it with your insurance company and then file the EOB along with your Reimbursement Request form.
 - If the expense is not a covered expense, simply attach the receipt to the Reimbursement Request form and send to Alt Benefits.

- **Reimbursements of Claims** – Once we receive your claim in our office, we will review it and enter it for processing. We will process claims weekly. We will issue a check for the entire amount of the eligible claim, up to the remaining balance of your annualized Medical Care FSA salary reductions.

- Medical Care FSA Claim
- Documentation:
- Provider Name and Address
- Patient Name
- Date of Service
- Description of service or supply
- Amount of service or supply

* Note – A “paid receipt” is not proper documentation

Sample Paycheck

	With 125 Plan	Without 125 Plan
Gross Monthly Pay	\$2,500.00	\$2,500.00
Pre-Tax Coverage (with Plan)	300.00	n/a
Taxable Income	\$2,200.00	\$2,500.00
Estimated Fed. Tax (15%)	-330.00	-375.00
FICA Tax (7.65%)	-168.30	-191.00
After Tax Coverage (w/o Plan)	n/a	-300.00
Take Home Pay	\$1,701.70	\$1,634.00

Increased Take Home Pay \$67.70 per month

Save Money

**Medical Care FSA
Dependant Care FSA**

What are Flexible Spending Accounts?

A Flexible Spending Account is a simple way for you to pay for your out-of-pocket medical and dependent care expenses while increasing your spendable income.

How Does a Dependent Care FSA Plan Work?

- You can submit proof of child-care expenses for qualifying individuals for reimbursement. Qualifying individuals include:
 - Child under age of 13 – 13 and over if the child is mentally or physically unable to care for himself.
 - Elderly dependents
 - Disabled spouse
- The Dependent Care Expense Reimbursement FSA is similar to the Medical Care Expense Reimbursement FSA, except no advances can be taken. (We will reimburse you only up to the amount that has been deducted from your paycheck.)
- Your claim submission must include the childcare provider’s Tax ID Number.
- Employees in the 15.0% tax bracket usually are better off taking the child care credit off their tax return instead of participating in the Dependent Care Expense Reimbursement Plan.

Keep in mind that these amounts are not total tax savings, but rather the difference between the two methods. Total tax savings, of course, would be much greater. These calculations assume standard deductions and that the married couple files jointly. Your personal tax situation may be different. Estimate your taxes each way before deciding whether the Dependent Care Account or the tax credit is better for you.

Dependent Care FSA Effects on Income Levels

Gross Family Income	Head of House 1 dependent \$3,000 Credit		Head of House 2 dependents \$6,000 Credit		Married 1 dependent \$3,000 Credit		Married 2 dependents \$6,000 Credit	
	Credit	Account	Credit	Account	Credit	Account	Credit	Account
\$10,000	\$580		\$1,617		\$580		\$1,617	
\$15,000	\$117		\$485		\$218		\$618	
\$18,000		\$263		\$497	\$57		\$24	
\$20,000		\$781		\$686		\$563		\$397
\$22,000		\$852		\$686		\$1,082		\$686
\$25,000		\$824		\$786		\$1,142		\$786
\$30,000		\$1,122		\$718		\$872		\$1,216
\$35,000		\$547		\$935		\$657		\$716
\$40,000		\$473		\$88		\$473		\$389
\$43,000		\$503		\$83		\$503		\$83
\$50,000		\$533		\$133		\$533		\$133
\$70,000		\$1,033		\$633		\$533		\$133
\$80,000		\$1,283		\$883		\$633		\$133
\$90,000		\$1,283		\$883		\$1,033		\$633
\$110,000		\$723		\$573		\$1,033		\$633
\$130,000		\$873		\$473		\$1,283		\$883
\$150,000		\$873		\$473		\$1,183		\$1,033
\$170,000		\$873		\$473		\$1,183		\$783
\$190,000		\$1,207		\$849		\$873		\$473
\$210,000		\$1,207		\$849		\$1,123		\$693

For example, based on these assumptions, a married couple filing jointly with Family Income of \$70,000 a year with 2 children in a day care would save \$133 more in taxes by putting \$5000 in the Dependent Care Account versus taking the \$6000 tax credit at the end of the year.

Which Is Better – Dependent Care FSA or Tax Credit?

Expenses eligible for the Dependent Care Spending Account are the same as expenses eligible for the tax credit on your income taxes. The guidelines that determine whether you are eligible for Dependent Care or tax credit are the same: you and your spouse must both be employed, or your spouse must be disabled or your spouse must be a full time student to benefit from a Dependent Care Spending Account or from tax credit. And, you may not seek the benefit of both the Dependent Care Spending Account and the tax credit. In order to determine which benefits you and your family the most, please review the provided chart.

Dependent Care FSA VS. Tax Credit

The chart (top right) will help you compare the effect at various income levels of establishing a Dependent Care Account through flexible benefits or taking a dependent care tax credit on your income tax return at the end of the year. Just follow these steps:

- (1) Find your approximate gross family income per year in the left column.
- (2) Look across to the marital status and number of children that best fits your circumstances.
- (3) If a figure appears in the Credit column, the tax credit at the end of the year saves approximately that much more per year than the Dependent Care Account.
- (4) If a figure appears in the Account column, the Dependent Care Account saves approximately that much more per year than the tax credit at the end of the year.

How do I file a claim under the Medical Care or Dependent Care FSA Plans?

When you incur an eligible expense, complete a Reimbursement Request Form and attach the explanation of benefits; submit it on line (at our web site), email it, or fax it, or mail it to:

Alt Benefit Consultants, Inc.
6410 Southwest Blvd., Suite 204
Fort Worth, TX 76109
Phone: (817)731-6258
Toll-Free Phone: (877)731-3532

Claims Processor **Andrea Venglar**
avenglar@altbenefits.com

Claims (9 pages or less) can be faxed to (817)731-9029!!

If the claim is for a covered expense, please file with the insurance carrier first and then forward the EOB along with the Reimbursement Request form to Alt Benefit Consultants for reimbursement.

If the claim is not for a covered expense, attach receipts directly to the Reimbursement Request Form and send to Alt Benefit Consultants for reimbursement.

Be sure to choose your annual elections carefully.

Please remember you cannot change your benefit elections during the Plan Year, unless you have a qualified change in status, such as:

- Marriage or Divorce;
- Birth or Adoption;
- Death
- Employment status change for employee or spouse

(Please refer to the Summary Plan Description for details of qualified changes)

SPEND YOUR MONEY!!!

You will forfeit any unused money remaining at the end of the plan year.

Examples of Eligible Medical Care FSA Plan Expenses

- Acupuncture
- Alcoholism/Drug Treatment
- Ambulance hire
- Artificial limbs
- Birth control pills
- Braille books and magazines
- Car controls for the handicap
- Chiropractors
- Co-insurance amounts you pay
- Contact lenses and cleaning solutions
- Cost of operations and related treatments
- Crutches
- Deductible health care coverage amounts
- Dental Fees
- Prescription Drug co-pays
- Eye glasses, including exam fee
- Hearing devices and batteries
- Hypnosis for treatment of an illness
- Insulin
- Laboratory fees
- Obstetrical expenses
- Orthopedic shoes
- Over the counter medicine (medically necessary)
- Physician fees
- Podiatry
- Psychiatric care
- Routine physicals
- Seeing – eye dog and its upkeep
- Telephone, special for deaf
- Television audio display equipment for the deaf
- Therapeutic care for drug and alcohol addiction

NOTE: Orthodontia & Maternity claims are reimbursed on a “service INCURRED” basis...

Items not covered include, but are not limited to:

- Cosmetic expenses including surgeries & procedures
- Nutritional supplements
- Weight-loss programs – unless medically necessary
- Fitness club memberships

For a list of all eligible expenses visit our web site at www.altbenefits.com; Click on tab “Client Support” then Select FAQ. Under the question "Is there a complete list for eligible health care expenses?" select [click this link](#) and when prompted enter passcode: [altben](#)

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Key Points

- The maximum annual contribution to the Medical Care FSA Plan is **\$5000.00**.
- The maximum annual contribution to the Dependent Care FSA Plan is **\$0.00**.
- The Plan Year is **01/01/2009 - 12/31/2009**.
- Your remaining Flexible Spending Account balances are available 24/7 on line and shown on all reimbursement check stubs.
- Services must be **incurred** in the Plan year to be reimbursable.
- You have up to **90** days after the Plan Year ends to file claims.
- Dependents do not have to be covered under group medical plan or group dental plan for their expenses to be reimbursable under the MRP.
- Be conservative in your estimate – money does not roll over to the next year.
- Call our toll-free number (877-731-3532) if you have questions about a specific expense.
- Visit Alt Benefit's web-site (www.altbenefits.com) to: Check Account Status
 1. Enter Employer Code 15274126
 2. Enter Login ID (need your SS# or unique employee id number)

Worksheets

Medical Flexible Spending Account Worksheet

Estimate your uninsured medical costs per **YEAR**.

This should include your best estimate of **all family medical costs**.

Eye Care (glasses, contact lenses, exams)	\$ _____
Dental Expenses	\$ _____
All prescriptions Co-pays	\$ _____
Birth control methods prescribed by a Physician	\$ _____
Health Insurance deductibles	\$ _____
Co-insurance and/or co-pay amounts	\$ _____
Over the Counter Drugs	\$ _____
Yearly Uninsured Medical Expense	Total \$ _____

Note: In a cafeteria plan you do not have to meet the 7.5% adjusted gross income threshold that is required on your Schedule A of the 1040 tax return. Therefore, your first dollar of uninsured medical costs can be paid for with tax-free dollars.

Dependent Care Spending Account Worksheet

In-home Care Provider for disabled dependent	\$ _____
Pre-School tuition	\$ _____
(Tuition costs for Kindergarten and all grades above are not reimbursable)	
Wages, Taxes and other eligible expenses paid to a household	
Employee that is caring for an eligible dependent	\$ _____
Total Projected Annual Expenses	\$ _____

(Annual Dependent Care Spending Account maximum is \$5000.00; \$2500.00 if married and filing separately)