

Questions Frequently Asked by Employees

Pre-Tax Example

	Without FlexSystem	With FlexSystem
Gross Pay	\$1,600/mo	\$1,600/mo
Pre-Tax Benefits		
-Medical/Dental Premiums	0	150
-Medical Expenses	0	50
-Dependent Care Expenses	0	200
TOTAL	0	400
Wages subject to tax	1,600	1,200
Federal Tax	240	180
FICA Tax (Social Security)	128	96
State Tax	122	91
Out-of-Pocket expenses	400	0
Spendable Income	710	833

Net Increase in Take-Home Pay = \$123/mo

This is an illustration only and actual numbers may vary. Paying certain qualified expenses before tax increases your take-home pay.

1. What does FlexSystem offer?

FlexSystem offers you a choice to pay for certain qualified benefits on a pre-tax basis. Paying for certain benefits with pre-tax dollars reduces the amount you pay in taxes and increases your take-home pay. Every dollar paid on a pre-tax basis results in a savings to you. (See example in box.)

2. Any cost or fee to me?

No

3. Must I participate in my employer's health insurance?

FlexSystem is not tied to any insurance plan or company. You may participate in FlexSystem regardless of your particular insurance provider.

4. What are qualified medical expenses?

These expenses include dental care, prescriptions, eyeglasses, and out-of-pocket medical expenses not covered by insurance. In addition, any over-the-counter medication needed to alleviate or treat personal injuries and/or illness are eligible. However, vitamins and other dietary supplements taken for general health purposes are not eligible. Here are some examples of eligible expenses. (This list is for reference only. For an entire listing visit www.irs.gov.)

Alcoholism, treatment of
Ambulance hire
Birth control
Braces
Chiropractors
Co-insurance
Contact lenses and cleaning solution
Deductibles
Dental fees, unless cosmetic

Diagnostic fees
Eyeglasses, including exam fee
Hearing devices and batteries
Insulin
Laboratory fees
Medical supplies
Nurses' fees
Orthodontia
Orthopedic shoes

Over-the-counter medications
Prescribed medicines
Psychiatric care
Routine physicals and other non-diagnostic services and treatments
Surgical fees
Transportation expenses primarily for rendition of medical services
X-rays

5. How does the Dependent Care Account compare with the tax credit available on the individual Form 1040?

The circumstances that determine which option offers greater savings vary from family to family; as such, the decision to choose the tax credit or the dependent care deduction may be made on a case by case basis only. Participation in FlexSystem results in an immediate savings on Federal, State and Social Security tax, whereas the Federal credit will affect Federal Income Tax only and will be taken at year-end.

6. How does a Cafeteria Plan affect Social Security benefits?

Reduction of your Social Security benefits will be minimal and is offset by the tax savings and lower health care costs available under FlexSystem. To compensate for this minimal reduction you may consider increasing your retirement plan funding.

7. Under what circumstances can the annual election be changed?

The elections may be changed only if there is a change in family or employment status. See the "Change of Elections Form" for more detail.

8. What is the "Use-It-or-Lose-It" rule?

Any funds left unused at the end of the Plan Year are forfeited. Take precautionary steps to avoid having balances in the Flexible Spending Accounts at year-end. The key is to be conservative when making elections.

9. Who determines the rules and regulations of FlexSystem?

Flexible Spending Accounts are regulated by the IRS. Our documentation guidelines are intended as a means to ensure eligibility of your Requests for Reimbursement. It is the Participant's responsibility to comply with these guidelines and to avoid duplication of requests or submission of ineligible charges. Failure to adhere to the above requirements could lead to payment delays or reimbursement denial.

In the event of an error or omission in the course of administering the Plan on behalf of the employer and participating employees, TASC will notify and remedy the error or omission within a reasonable period of time following the error or omission. The employer and employees agree to TASC's procedures for making any corrections, including but not limited to payroll reduction. An error by the employer or TASC does not constitute an assumption of liability for the amount of the error.

1. Are long-term care insurance premiums included for the flexible spending account?
No!!
2. Currently all of my income is housing expense and reimbursable expenses. Therefore I have no taxable income from ISI. It seems to me there is no benefit for me to use the flexsystem plan for medical expenses. Is this accurate?
There may not be a tax benefit on first sight. However, you are still having to pay for medical expenses out of pocket and the money used to pay those expenses are subject to taxes when you file. By choosing to elect a pre-tax FSA deduction, those expenses would no longer be subject to taxes when you file your income taxes each year.
3. Do I need to submit receipts to TASC for reimbursement?
Yes, they do required you to submit receipts. However, TASC prefers to have you fax the receipts to them. You would be responsible to maintain the receipts and prove the expense to the IRS in case of an audit.
4. If I am covered by insurance under another group medical plan (my spouse) can I participate? Do I need to fill out the form?
Yes, you can participate; but only if your spouse's company does not have an FSA which you are included in. You will still need to fill out the enrollment and disclaimer forms indicating whether you are participating or not.
5. According to the FSA supplied description there is no fee for this service. But the "FSA Disclosure Statement" indicates that TSAC will be charging a \$5/month fee. What is the admin fee?
TASC charges/bills the Home Office monthly based on the number of people participating in the plan. This fee includes a charge for each employee having a debit card for medical expense. ISI passes that fee onto the employee and deducts it directly from your ministry account.
6. How do I use the "FlexSystem Claim Card" instead of submitting reimbursement claims? Do we present it to the Dr. office, pharmacy, etc like a credit/debit Visa card? Will all accept it?
Yes, the debit card should be accepted at all locations where you are able to use a debit/credit card. The office you present it to will not know that it is a FSA card instead of one issued by a normal bank. However, if the amount you are trying to charge exceeds the amount of your FSA annual deduction, the expenses will be declined.
7. What does the foreboding revelation mean "Reduction of your Social Security benefits? How does a Cafeteria Plan affect Social Security benefits?
An FSA deduction reduces your Social Security benefits because the amount of Gross Pay for each paycheck is reduced by the amount of your monthly election before Social Security tax is calculated. Therefore you will have a lower amount reported to Social Security as actual gross salary.

8. Could I opt out at end of year (Dec.31?) if wish?
Yes, every December every employee who is benefits eligible must choose to elect to participate or not and what amount they choose to have deducted over the plan year.
9. Am I correct that this plan would cover my wife expenses in addition to mine? If so, is there only one "election amount" fund for both of us with each person using any % of it?
Yes, your spouse can be covered under your plan as long as they do not participate in an FSA type of plan through their employer. Even if you're your spouse has the possibility of participating in a similar plan through their employer, you can still include their expenses in our plan as long on you are not: double-dipping, claiming more the \$5000 Federal limit on child car, or "working" the system so as to violate a Federal law. Yes, there is only one elected amount and both individuals can use the money until it is depleted. There is no limit.
10. So how else can I find the list of eligible "prescribed medicines?" If one of mine will not show on the list (somewhat rare), where can I ask specifically about it?
There is not an actual list of medications that are allowed. As long as the prescription is made by a doctor and filled by a pharmacist, the expense is allowed. Also if it is an over-the-counter medicine you may use the debit card or submit it for reimbursement.
11. Can I increase my salary to compensate for not reimbursing the premiums from my ministry account?
Yes, you may choose to have your budgeted salary increased account for the premium being withheld from you salary. However, you cannot increase your salary because of the medical expense election.
12. What does my living allowance have to do with my reimbursement for health premiums? Does that mean that I do, indeed, have to increase my living allowance (thus, my entire salary) by the amount of my health premiums if I have insurance that is NOT from ISI?
In order to participate in the FSA plan, you must have taxable (living allowance) income from which to have the elected amount deducted form. If you do not have a budget living allowance or your budgeted living allowance is not sufficient to cover the elected FSA amount, we will need to change your budget to reflect your elected amount.
13. The way this is described, a major expense that is currently budgeted out of "ministry expense" will now be budgeted out of "salary". Aside from the tax issue, won't EVERYONE need to revisit their budget? Won't the salary portion of each person's budget need to be increased to absorb their insurance premium cost?
No, as of May 1, 2006, most employees are required to be on ISI's medical plan unless they have a qualified exemption. Only those employees who have opted to only insure themselves on the ISI plan and insure their spouses and/or children under another plan using post-tax money will need to make a change to their budgets.