

WorkSmart Flex Options

WorkSmart Flex provides you with a valuable tax break and helps you stretch your take-home income. WorkSmart Flex allows you to pay for certain expenses with pre-tax dollars – pay that is not subject to federal or state income taxes or Social Security taxes. These benefits are provided under a "Section 125" or "Cafeteria Plan."

Premium Only Feature

Under the Premium Only Feature, premiums you contribute toward the cost of your medical and dental benefits are deducted from your pay before taxes are taken out. This results in a lower taxable income, so you pay less in taxes. Choose the benefits that you want from a "menu" of benefits.

Your Pre-Tax Benefit Choices

All Medical Plans
All Dental Plans
Flexible Spending Accounts

Your After-Tax Benefit Choices

Optional Life Insurance
Spouse and/or Dependent Life Insurance
Disability Insurance
Humana Supplemental Insurance

Flexible Spending Accounts



Flexible Spending Accounts allow you to pay for certain out-of-pocket health care and dependent care expenses with pre-tax dollars. Spending pre-tax dollars reduces your current taxable income, and you pay less in taxes for the year. Money you contribute to these accounts each year can be reimbursed only for expenses that you incur in the plan year, that are eligible expenses.

Money not reimbursed by April 15th of the following year will be forfeited – this "use it or lose it" rule applies to both the Health Care Flexible Spending Account and the Dependent Care Flexible Spending Account.

Health Care Flexible Spending Account

The Health Care Flexible Spending Account allows you to contribute up to \$2,500 each calendar year to pay for certain out-of-pocket healthcare expenses for you or your eligible dependents. You decide how much to contribute each year and then each pay period, the prorated deduction is taken from your pay. **Your expenses have to be incurred within the benefit year, which will be from the first day you are eligible for benefits through termination of employment or March 15 of the following year, whichever comes first. If you do not use the money you put into the account, you lose it.** Plan carefully and do not set aside more than you estimate you will be able to use. *Expenses reimbursed through the Health Care Flexible Spending Account may not be claimed as a deduction on your federal income tax return.*

Eligible Expenses

In general, the expenses that are eligible for reimbursement include any expenses allowable as deductions on your income taxes under Section 213(d) of the IRS code. These may include, but are not limited to:

Medical & dental deductibles, copayments and coinsurance amounts.

Expenses over plan limits for items such as:

- Acupuncture
- Ambulance
- Artificial limbs
- Artificial teeth
- Band-Aid's
- Birth Control
- Braces & Support
- Braces (payment contract, monthly payment coupon, or statement from your orthodontist)
- Child birth expenses not paid by health insurance
- Chiropractic office visits & treatment
- Clinic fees
- Coinsurance (out-of-pocket expenses)
- Contact lenses
- Contact lens cleaning solution
- Crutches
- Deductibles
- Dental expense (excluding general health items)
- Dentures
- Diagnostic fees
- Eyeglasses, including examination fee
- Hearing devices & batteries
- Hospitalization bills
- Immunizations
- Insulin & diabetic supplies
- Laboratory fees
- Laser vision corrective surgery
- Mileage (55.5¢ per mile to see medical providers in 2012)
- Orthopedic shoes
- Over-the-counter medications (excludes weight loss, dietary, herbal, and first aid) by prescription only
- Physicians' fees
- Prescriptions (copays or other amounts not paid by the plan)
- Psychiatric care and psychologist fees
- Reading glasses
- Routine physicals (except for employment related)
- Surgical fees (non-cosmetic)
- Therapy treatments
- Transplants
- Vaccines
- Vitamins by prescription only
- Well baby care
- Wheelchairs, walkers, crutches and canes
- X-rays

Effective **January 1, 2011**, Over-The-Counter (OTC) drugs and medicines can no longer be purchased using the Benefits MasterCard. The card will only allow eligible OTC items and pharmacy prescriptions. Ineligible items will be denied at the point of sale.

In order to be reimbursed for an OTC drug or medicine, an employee must submit a manual claim and the doctor's prescription in order for WorkSmart to issue a reimbursement from Health Care Flexible Spending Account funds.

OTC ITEMS (Purchase with card/reimbursable WITHOUT Rx):

- Band-Aids
- Birth Control
- Braces and supports
- Contact lens solution and supplies
- Denture adhesives
- Insulin and diabetic supplies
- Reading glasses

OTC ITEMS (Require a manual claim/reimbursable WITH Rx):

- Acid controllers
- Allergy and sinus products
- Antibiotic products
- Anti-diarrheal
- Anti-gas
- Anti-itch and insect bite
- Baby rash ointment/cream
- Cold sore remedy
- Cough, cold, flu
- Digestive aids
- Laxatives
- Motion sickness
- Pain relief
- Sleep aids/sedatives
- Stomach remedies

Dependent Care Flexible Spending Account

As an eligible employee, you may contribute up to \$5,000 each calendar year to the Dependent Care Flexible Spending Account to pay for the cost of caring for your eligible dependents, as defined below, so that you (and your spouse, if you are married) can work. You decide how much to contribute each year and then each pay period the prorated deduction is taken from your pay. **Your expenses have to be incurred within the benefit year, which will be from the first day you are eligible for benefits through termination of employment or December 31 of that year, whichever comes first. If you do not use the money you put into the account, you lose it.** Plan carefully and do not set aside more than you estimate you will be able to use.

If you are married, you may contribute up to the maximum amount only if your spouse also works, is a full-time student for at least five months of the calendar year, or is disabled.

The amount of reimbursements you are eligible for may be limited to less than \$5,000 by the IRS if:

- You are married, and you and your spouse file separate federal income tax returns. In this case, your limit is \$2,500.
- Your spouse participates in a Dependent Care Flexible Spending Account. In this case, the total reimbursements to you and your spouse cannot exceed \$5,000.

To qualify for Dependent Care Flexible Spending Account reimbursement, the care:

- Must be provided to enable you and your spouse, if you are married, to work;
- Must be for your dependent child or children under age 13, or for any "IRS dependent" of any age if the dependent resides in your home and is unable to care for himself or herself; and
- Must be provided by anyone other than a person you can claim as a dependent on your federal income tax return.
- Provider must conform to state and local laws (including being licensed, if required) and be able to provide you with his or her Social Security or Tax ID number.

Reimbursements from your Dependent Care Flexible Spending Account may reduce or eliminate dependent care tax credits on your federal income tax return. For most people, the spending account provides a greater benefit, but everyone's tax situation is different, so it is best to compare tax savings on an individual basis.

How to Use WorkSmart Flex

Each year, during Open Enrollment, you decide how much of your pre-tax pay will go into a Flexible Spending Account for the following year. Then, after you have paid an eligible expense, you submit a claim for tax-free reimbursement from the applicable account. See below for step-by-step instructions for claim reimbursement.

1. You can file claims several ways:

Fax: 317.585.7880

E-mail: flex@worksmartpeo.com

Mail: WorkSmart Systems

9957 Crosspoint Boulevard

Indianapolis, IN 46256

2. Your participant login:

As a first-time user, you will need your Benefits MasterCard to create your account. From www.wealthcareadmin.com, select *Participant Login*. On the Participant Portal page, select *Create Account* and complete the form as directed. Your employee ID is your WorkSmart employee ID number, no dashes. Once you have completed all required fields, select *Submit*. You will then be redirected to the login page.

3. WorkSmart processes claims throughout the week.

4. Reimbursement checks are mailed out the day following approval and will be mailed to your home address. You can also set up direct deposit for your account.

5. All Health Care claims must include:

- Itemized bill or Explanation of Benefits
- Date of service
- Services rendered
- Total amount charged
- Transaction amount
- Proof of payment

6. All Dependent Care claims must include:

- Name of provider
- Address of provider
- Tax ID number or Social Security number
- Date(s) of service
- Proof of payment

7. Health Care and Dependent care expenses must be incurred within the dates of the plan year. The plan year for Health Care expenses begins on your effective date and continues through termination or must be incurred by March 15 of the following year. The plan year for Dependent Care expenses begins on your effective date and continues through termination or December 31 of that year.

8. Claims must be **received** (not just postmarked) in the WorkSmart office by April 15 of the following year for both health care and dependent care expenses.

9. WorkSmart offers a Benefits MasterCard to help you minimize your paperwork. The Benefits MasterCard may be used at vendors who offer qualifying expenses: drugstores, hospitals, day care centers, etc. **This card will only access current year flex spending contributions. You must file a manual claim for prior year carry-over claims.** If you use your Benefits MasterCard at the following vendors for prescriptions and eligible OTC items ONLY, you will NOT have to submit a receipt to WorkSmart for substantiation:

- CVS
- Sam's Club
- Jewel
- Meijer
- Osco
- Target
- Wal-Mart
- Cub Foods
- Kroger
- PayLess
- Walgreens

Important Rules You Should Know About Flexible Spending Accounts

Because Flexible Spending Accounts provide tax advantages, the federal government imposes strict rules and limitations on how you may use these accounts. See IRS Publication 502 for more information (800-829-3676).

No Changes:

Once you make your Flexible Spending Account elections for a calendar year, you cannot change them until the next annual open enrollment period unless you have a qualified change in your family status. Some examples are:

- **Marriage or divorce**
- **Birth or adoption of a child**
- **Death of spouse or a dependent**
- **Change your employment status**
- **Change in your spouse's coverage or job status**
- **Unpaid leave of absence**



Separate Accounts:

The Health Care Flexible Spending Account and the Dependent Care Flexible Spending Account are two separate accounts. You cannot use your health care contributions to reimburse yourself for dependent care expenses and vice versa, even if you have excess contributions in one account and a shortage in the other.

Using Contributions:

You can use your Flexible Spending Accounts to reimburse only those expenses you had in the calendar year for which you enroll, and for services after your effective date.

Unused Balances:

It is important that you review your previous yearly expenses and carefully plan your annual contribution amount to the Spending Accounts. If you do not incur eligible expenses equal to your contributions, the Internal Revenue Service (IRS) will require that the unused portion of your account balance be forfeited.

*** You will have until April 15 of the following plan year to submit eligible expenses incurred prior to March 15 for Health Care reimbursement. You will have until April 15 of the following plan year to submit eligible expenses incurred prior to December 31 of the current plan year for Dependent Care reimbursement.*

About Social Security:

Participation in WorkSmart Flex reduces the salary on which annual contributions to Social Security are calculated. This means the amount paid to Social Security could be reduced, which may result in a reduction to the Social Security benefit you receive at retirement. Most experts say, however, that the tax advantage you get now will offset any potential reductions in future benefits. Participation in WorkSmart Flex does not affect any other salary-related benefits.

Tax Considerations:

With the Premium Only Plan feature, you cannot deduct your health and dental insurance premiums on your federal income tax forms. You should consult your financial planner or the IRS for guidance on how the WorkSmart Flex plan options would affect your personal tax status.

Tax-Savings Examples

WorkSmart Flex allows you to pay for eligible insurance, health care and dependent care expenses with pre-tax dollars. You could reduce taxes and increase take-home pay as illustrated below in a generic sense.

Health Care & Dependent Care Flexible Spending Account Example:

(The following example assumes a W-4 status of Married and three allowances)

EXAMPLE 1			
	<u>WITH WORKSMART FLEX</u>	<u>WITHOUT WORKSMART FLEX</u>	<u>FLEX SAVINGS</u>
Employee Gross Income	\$45,000.00	\$45,000.00	
Health Care Flex Account	\$2,500.00	\$0.00	
Dependent Care Flex Account	\$5,000.00	\$0.00	
Employee's Taxable Wages	\$37,500.00	\$45,000.00	\$8,500.00
Federal Income Tax	\$1,835.00	\$3,110.00	\$1,275.00
FICA Social Security & Medicare	\$2,792.25	\$3,442.50	\$650.25
State Income Tax	\$1,122.00	\$1,411.00	\$289.00
Total Taxes	\$5,749.25	\$7,963.50	\$2,214.25
Employee Savings	\$2,214.25		

(The following example assumes a W-4 status of Single and one allowance)

EXAMPLE 2			
	<u>WITH WORKSMART FLEX</u>	<u>WITHOUT WORKSMART FLEX</u>	<u>FLEX SAVINGS</u>
Employee Gross Income	\$25,000.00	\$25,000.00	
Health Care Flex Account	\$500.00	\$0.00	
Dependent Care Flex Account	\$2,000.00	\$0.00	
Employee's Taxable Wages	\$22,500.00	\$25,000.00	\$2,500.00
Federal Income Tax	\$2,042.50	\$2,417.50	\$375.00
FICA Social Security & Medicare	\$1,721.25	\$1,912.50	\$191.25
State Income Tax	\$731.00	\$816.00	\$85.00
Total Taxes	\$4,494.75	\$5,146.00	\$651.25
Employee Savings	\$651.25		

Medical and Dental Premium Only:

(The following example assumes a W-4 status of Married and three allowances.

Coverage Election: Medical \$2,000 deductible Family plan; Dental Gold Family plan)

EXAMPLE 3			
	<u>WITH WORKSMART FLEX</u>	<u>WITHOUT WORKSMART FLEX</u>	<u>TAX SAVINGS</u>
Employee Gross Income	\$45,000.00	\$45,000.00	
Health Insurance	\$13,991.40	\$13,991.40	
Dental Insurance	\$1,616.28	\$1,616.28	
Employee's Taxable Wages	\$29,392.32	\$45,000.00	\$15,607.68
Federal Income Tax	\$1,044.23	\$3,110.00	\$2,065.77
FICA Social Security & Medicare	\$2,248.51	\$3,442.50	\$1,193.99
State Income Tax	\$863.34	\$1,394.00	\$530.66
Total Taxes	\$4,156.08	\$7,946.50	\$3,790.42
Employee Savings	\$3,790.42		

(The following example assumes a W-4 status of Single and one allowance.

Coverage Election: Medical \$3000 deductible Employee Only plan; Dental Silver Employee Only plan)

EXAMPLE 4			
	<u>WITH WORKSMART FLEX</u>	<u>WITHOUT WORKSMART FLEX</u>	<u>TAX SAVINGS</u>
Employee Gross Income	\$25,000.00	\$25,000.00	
Health Insurance	\$3,145.32	\$3,145.32	
Dental Insurance	\$180.48	\$180.48	
Employee's Taxable Wages	\$21,674.20	\$25,000.00	\$3,325.80
Federal Income Tax	\$1,918.63	\$2,417.50	\$498.87
FICA Social Security & Medicare	\$1,658.08	\$1,912.50	\$254.42
State Income Tax	\$702.92	\$816.00	\$113.08
Total Taxes	\$4,279.63	\$5,146.00	\$866.37
Employee Savings	\$866.37		

Flexible Spending Account

Annual Expense Worksheet

Unreimbursed Health Care Expenses:

Listed below are medical expenses you and your family may have that might not be paid elsewhere. Estimate your annual medical expenses not paid by group insurance for the next plan year.

	Annual Expenses
Child Birth (portion not covered by insurance)	\$ _____
Chiropractor	\$ _____
Copayments	\$ _____
Dental Care Expenses (portion not covered by insurance)	\$ _____
Fees to Doctors, Hospitals (portion not covered by insurance)	\$ _____
Deductibles and Coinsurance not reimbursable elsewhere	\$ _____
Hearing Aids	\$ _____
Immunizations (portion not covered by insurance)	\$ _____
Orthodontic Expenses (braces)	\$ _____
Over-the-counter Medications	\$ _____
Prescriptions (copayments or other portion not covered by insurance)	\$ _____
Routine Physicals	\$ _____
Special Instructions for Deaf and Blind	\$ _____
Substance Abuse Rehabilitation	\$ _____
Tuition for Special School for Handicapped	\$ _____
Vision Care (exams, glasses and contact lenses)	\$ _____
Other	\$ _____
TOTAL	\$ _____

Determine the annual amount you want withheld. Divide that amount by your number of pay periods and enter the amount to be withheld pre-tax on the Flexible Spending Enrollment form under Unreimbursed Health Care Expenses.

Dependent Care Expenses:

You may elect to move part of your pay into the pre-tax Dependent Care Reimbursement Account to reimburse you for amounts you pay for Dependent Care that enables you to be employed.

Child Care \$ _____ / month x 12 = \$ _____ / year

TOTAL \$ _____

Determine the annual amount you want withheld. Divide that amount by your number of pay periods and enter the amount to be withheld pre-tax on the Flexible Spending Enrollment form under Dependent Care Reimbursement.

FLEXIBLE SPENDING ACCOUNT

DIRECT DEPOSIT AUTHORIZATION

Return by e-mail to: Flex@WorkSmartPEO.com. If unable to return by e-mail, please return by fax: 317.585.7880

SECTION 1

Requestor Information

Employee Name: _____ SSN: _____ XXX – XX – _____

Client Company Name: _____

SECTION 2

Financial Institution

Bank Name: _____

ACH Routing Number: _____

Account Number: _____

Account Type (check one): ☐ Checking Account ☐ Savings Account

SECTION 3

Authorization

I hereby authorize WorkSmart Systems to transfer electronic debits and credits to the bank accounts noted above. I grant WorkSmart Systems the right to correct any erroneous overpayments by debiting my account.

Signature: _____ Date: _____

Attach Voided Check Here

Attach a voided check for checking OR savings deposit slip for savings accounts. Form will not be processed without the information below.

Jane A. Doe 1000 Main St. Anywhere, USA 10001		3680
DATE: _____		
PAY TO THE ORDER OF _____		\$ []
_____ DOLLARS		
MEMO: _____		X _____
123456789	11484620040	3680
Transfer/ABA No.	Account No.	