

## ALLEGIANCE ADVANTAGE

### HEALTH FLEXIBLE SPENDING ACCOUNT (FSA)

Before the start of each Flex Plan year, you may elect to use “before-tax” dollars to pay for your out-of-pocket medical expenses including deductibles, co-pays and prescriptions. Dental and vision expenses may also be reimbursed. Eligible health FSA expenses include those defined by IRS Code, Section 213(d). For a list of examples, go to [www.askallegiance.com](http://www.askallegiance.com). The maximum amount you can elect each Plan Year is \$3,200.

Health insurance premiums are not reimbursable through the health FSA. There is a separate premium only part of your flex plan that may allow you to deduct group health premium amounts on a pre-tax basis. Salary deferral selected for group premiums and Health FSA expenses are not subject to federal income, state income or Social Security/Medicare taxes.

Your health FSA election will reimburse you for eligible expenses that you, your spouse and your dependents incur during the plan year. The entire annual amount you elect can be used at any time during the plan year. All you have to do is elect the amount you want withheld before taxes from each paycheck. Then send Allegiance a reimbursement request with documentation of your eligible expenses to be reimbursed. It is not necessary to pay for the expense prior to being reimbursed.

If the expense could be covered through your insurance plan, please provide the insurance explanation of benefits as documentation. If insurance will not consider the expense, an itemized statement from the provider will satisfy documentation requirements. Some expenses are considered to be “dual purpose.” These expenses are for items or services that are sometimes for purposes other than to treat a medical condition. In order to be reimbursed for a “dual purpose” expense, or over-the-counter drugs and medicines a diagnosis and recommendation for treatment from a medical professional is required. If you or your spouse participate in a general purpose health FSA, you are not eligible to contribute to a Health Savings Account (HSA).

Our website, [www.askallegiance.com](http://www.askallegiance.com), provides a worksheet that allows you to estimate your medical expenses for a tax savings projection.

### CUSTOMER SERVICE

Representatives are available to answer questions each business day between the hours of 7:00 a.m. and 5:00 p.m. Mountain time. After hours, and on weekends, you can access your account information online or through the tollfree automated voice-response system. Call us, toll free, at 1-877-424-3570.

### DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT (FSA)

If both you and your spouse work or you are a single parent, you may have dependent care expenses. Without a dependent care FSA, the only tax help for you is the Federal Child Care Tax Credit. A dependent care FSA may give you a better tax benefit, so compare both before making your annual election. A tool to get an estimate of your tax savings and a worksheet to compare the Federal Child Care Tax Credit to the dependent care FSA, is available at [www.askallegiance.com](http://www.askallegiance.com). A dependent receiving care must live in your home at least eight (8) hours per day.

Your dependent care FSA lets you use “before-tax” dollars to pay care expenses for children age 12 and under, or individuals unable to care for themselves. The care must be necessary for you and your spouse to remain gainfully employed. The care may be provided through live-in care, baby sitters, and licensed day care centers. You cannot use “before-tax” dollars to pay your spouse or one of your children under the age of nineteen (19) for providing care. Schooling expenses at the kindergarten level and above are not reimbursable. Neither overnight camp nor nursing home care is reimbursable. The maximum you can elect in a calendar year is equal to the smallest of the following:

- \$5,000 - per couple if married and filing federal taxes jointly, or for a single parent;
- \$2,500 - if married and filing a separate federal tax return; or,
- your spouse’s earned income.

An employee with a disabled spouse or a spouse who is a full-time student can claim \$250/month for one child and \$500/month for two or more children with the maximum election not to exceed \$5,000 per calendar year. Unlike health FSAs, dependent care FSAs may only reimburse expenses up to the amount you have contributed at any time during the year.

## FLEX PUTS TAX DOLLARS BACK INTO YOUR POCKET

Mary is a single mother of two earning a salary of \$3,500.00 per month. Mary elects health insurance coverage for her children and herself. Her employer covers some of the insurance premium cost, but Mary is required to contribute \$100.00 each month. Her oldest child has braces and Mary is paying the orthodontist \$100.00 per month. Mary's youngest child attends pre-school while Mary is at work, and she is paying \$300.00 per month to the day care provider. Let's compare Mary's monthly take-home pay if she enrolls in the employer's flexible benefits plan to her take-home pay if she pays these expenses with after-tax income:

	<u>NO PLAN</u>	<u>FLEX PLAN</u>
<b>Gross Pay</b>	\$3,500	\$3,500
<b>Flex Plan</b>	\$0	\$500
<b>Taxable Pay</b>	\$3,500	\$3,000
<b>Federal Tax*</b>	\$306	\$234
<b>State Tax*</b>	\$146	\$116
<b>FICA / Medicare*</b>	\$268	\$230
<b>Net Pay</b>	\$2,780	\$2,420
<b>Insurance</b>	\$100	\$0
<b>Braces</b>	\$100	\$0
<b>Daycare</b>	\$300	\$0
<b>Monthly Net Pay</b>	\$2,280	\$2,420

Through her participation in her employer's Flex Plan, Mary is able to put an extra \$140 in her pocket each month! That's a total increase of \$1,680 in spending income for the year.

\*Tax amounts are approximations based on 2017 payroll tax withholding tables, claiming an allowance of 3 dependents and the current 7.65% FICA/Medicare rate. Your individual state tax rate may vary.

## MID-YEAR ELECTION CHANGES

No changes may be made to your election during the plan year unless you experience a "qualifying event". Mid-year election changes usually must be made within 30 days of a qualifying event. Changes are limited and differ for each pre-tax option. For more information about mid-year election changes, please contact your human resources department or Allegiance.

## MODIFIED "USE-OR-LOSE" RULE

Under the "use-or-lose" rule, election amounts remaining after the plan year has closed cannot be returned to you. Your employer allows up to \$640 of unused health FSA funds to carryover from the 2023 Plan Year to the 2024 Plan Year.

## REIMBURSEMENT

- ✓ **Check Payment:** Allegiance authorizes reimbursement and prints checks each business day. Claims are normally processed within five business days of receipt. You usually have a check in your mailbox within a week after Allegiance receives your claim.
- ✓ **Direct Deposit:** Request Direct Deposit on the Allegiance website and Allegiance will electronically deposit reimbursements directly into your checking account.
- ✓ **Debit Card:** Your employer may offer debit cards as part of the Flex Plan. You may use the debit card to pay for medical and/or dependent care expenses. Documentation for the expense may be required, and should be saved for all debit card transactions.

You may mail, fax toll-free, upload via mobile device, or scan and send claims electronically at [www.askallegiance.com](http://www.askallegiance.com).

Claims for eligible expenses that were incurred during the plan year may be submitted for a limited time after the end of the plan year ("run-out"). If you terminate employment during the plan year, there is also a "run-out" period in which expenses incurred prior to your termination may be submitted for reimbursement. The "run-out" period, determined by your employer, is listed in your summary plan description.