

Quality Solutions for Educational Employers

Flexible Spending Accounts (FSA), oftentimes called Section 125 Cafeteria plans, were formally created by Internal Revenue Code 125 of the Revenue Act of 1978. The Act allowed Employees to set aside money on a pre-tax basis to pay for certain expenses. Expenses eligible for reimbursement include required Employee contributions to an Employer sponsored health care plan, dependent care expenses and any health care expenses not covered by the Employer health care plan. Examples of these expenses include co-payments, deductibles, prescription drug purchases, eyeglasses and dental expenses or any other eligible uncovered medical expenses. Money deposited in FSAs must be used in the year it is deposited or the remaining balance is forfeited.

Benefits to the Employer

- The Employer obtains the intangible benefits of providing to participants a tax-free method of reimbursement of eligible medical premiums and expenses and dependent care expenses.
- The Employer also permanently saves the 7.65% FICA taxes (Social Security and Medicare) on all amounts contributed to the FSA.

Benefits to Employee

- The Employee's contributions are made on a pre-tax basis.
- The Employee receives immediate tax relief in the form of lower FICA payments as the Employee also saves the 7.65% FICA taxes (Social Security and Medicare).
- The Employee also receives annual income tax relief by reducing their overall taxable income.

Administration

- Plan documents and implementation materials are provided.
- Employer representatives have direct access to our administrative and management personnel.

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Employee Communications/Account Information

- Employee needs are serviced by a national service center through a toll-free number.
- Annual statements are provided.
- Employees also have online access to their personal account information.

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The Flexible Spending Account Plan
is provided by:



MidAmerica

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