



You can save money  
and take care of yourself and your family  
when you plan ahead and set up a  
**Flexible Spending Account** with  
PayPro Administrators.

## Making the Most of Your Benefits

# Flexible Spending Accounts

A Flexible Spending Account (FSA) allows you reduce the taxes you pay on the money you earn by setting aside a portion of each paycheck for eligible medical, dental, and dependent care expenses before taxes are calculated.

That money is tax free! Since you don't pay taxes on flex account contributions, you pay less income tax overall and have more spendable income.

You can choose to participate in two different types of flex accounts:

- a **Health Care FSA** lets you spend tax-free money to pay for a wide range of eligible medical and dental care costs
- a **Dependent Care FSA** covers payments for child and adult dependent care that allows you to work or go to school.

For Health Care FSAs, the full annual amount you select is immediately available for eligible medical and dental expenses throughout the year, so you don't have to wait until your paycheck contributions have added up to get the care you need.

Dependent Care FSA funds accumulate over time. Funds become available as they are deducted from each paycheck.

When you incur eligible expenses, you can use a claim form. PayPro Administrators will track the funds and provide a detailed record of your claims and balance. You can even check your balance online 24/7 at [www.pagroup.us](http://www.pagroup.us).

This guide provides general information about flex accounts, as well as specific rules & requirements for each type of FSA.

# How Flex Accounts Work

**1** Estimate your eligible annual expenses to get the total for your flex account contributions.



**TIP**

You will find worksheets and other helpful tools at [www.pagroup.us](http://www.pagroup.us)

**2** Tax free money from each paycheck goes into your flex account.



**3** Submit claims for eligible expenses and get reimbursed with funds from your flex account...



...or use the PayPro Benefits Card™ to pay directly with flex account funds.



Once a year, during open enrollment or when you become eligible for benefits, you decide the amount to contribute to your Health and/or Dependent Care FSA by estimating how much you will pay that year for doctors visits, dental work, dependent care, and other qualifying expenses.

The annual amount you select will be divided into equal, tax-free flex account contributions that will be deducted from each paycheck. PayPro tracks the funds and provides a detailed record of your claims and balance.

## “Use It Or Lose It”?

Every FSA plan is different - so be sure to check with your employer to find out what happens to unused funds that are still in the account at year end. Your plan has one of the options below:

**Option 1:** Use it or Lose it - any remaining funds are forfeited at year's end.

**Option 2:** 2 1/2 month extension - allows you to spend “old plan year” dollars during the first two and a half months of the new plan year.

**Option 3:** \$500 Carry over - up to \$500 of unused funds will be carried over to the next plan year (must be an active participant).

Expenses must be incurred during the plan year - which is the date of service - in order to be considered eligible for that plan year. *Unless you have option #3.* The ‘incurred’ date is the actual date of service - not when the expense was billed or paid.

At the end of the plan year, you'll likely have a grace period of 30-90 days to file claims for unspent funds in the account. All plans are different, however, so be sure to see your employer for the plan design that is being offered.



## HCFSA Health Care Flex Spending Account

By participating in the HCFSA, you can save around 30% on most medical and dental expenses, because you pay for them with tax free income. You don't need to participate in your employer's health insurance plan to set up a flex account.

HCFSAs are different than Health Savings Accounts (HSAs). If you have an HSA, you may be able to participate in a limited scope FSA.

Always refer to your plan documents for specific information about eligible expenses and other details, or call PayPro Administrators. You can use your HCFSA funds to pay for expenses related to a wide range of health care costs, some of which are shown below.

### HCFSA Eligible Expenses

- Crutches, canes, walkers
- Diagnostic expenses
- Fertility enhancement
- Dental
- Eye/vision
- Alcohol/drug dependency treatment
- Medical transportation and lodging
- Insurance co-pays and deductibles
- Mental health services
- Smoking cessation
- Orthodontia
- Prescription drugs
- Contact lenses
- Birth Control (over-the-counter) and condoms
- Diabetes monitors, test kits, strips and supplies
- Blood pressure monitors
- Hearing aids
- Sunscreen lotion (SPF 15 or higher)
- ...and more!

### NOT HCFSA Eligible

- Over the counter drugs\*
- Elective cosmetic treatments
- Teeth whitening
- Insurance premiums
- HSA contributions

\* Over the counter medicines and drugs are not eligible unless accompanied by a doctor's prescription justifying the medical necessity

- 4 Check your balance and claims online at [pagroup.us](http://pagroup.us).



**NEW - Digital Claim Form**

COMPANY/ PARTICIPANT COBRA LOGIN	COMPANY/ PAYROLL LOGIN
COMPANY/ PARTICIPANT FLEX LOGIN	PAYPRO HR LOGIN

- 5 Keep more of your hard-earned money!



If your plan offers the **PayPro Benefits Card**,™ you can swipe the card at the point of sale or service and have the funds automatically paid from your account. Please carefully read the cardholder agreement when the card arrives in the mail. You must save copies of all itemized receipts as they may be requested. If the receipts are requested and the cardholder does not submit copies within the required timeframe, the card will be suspended. This is an **IRS** requirement for any plan that offers an employer-provided payment card.

## DCFSA

### Dependent Care Flex Spending Account

If you pay for child or dependent care so that you can go to work or go to school full time, you can contribute to a Dependent Care FSA and save money by paying for those expenses with tax free income.

In fact, you are likely to receive greater tax savings with a DCFSA than you would with the child care credit when you file your income taxes, however you should always consult with a tax professional for specific advice.

#### Who qualifies as a dependent?

The following are general guidelines. Consult with a tax professional to determine eligibility.

- Dependents must be under the age of 13, **OR** a spouse or dependent who is mentally or physically incapable of self-care (i.e. care for an invalid parent).
- You must be the **custodial parent/guardian** of the individual. That is, the individual must regularly spend at least eight hours per day in your home.

#### How much can I contribute?

You may contribute pre-tax dollars to your DCFSA up to:

- \$5000 per year for a married couple filing jointly
- \$5000 per year for a single parent/head of household
- \$2500 if married and filing separately

If your spouse has a DCFSA at their place of employment, you must make sure the total contributions adhere to the limits above. Discuss the flex plan with your spouse to determine which one of you will contribute to a DCFSA. If you wish to split the amount, be certain that neither of you exceeds \$2500, and that the total contribution between the two of you does not exceed \$5000 per plan year and calendar year.

The amount you can exclude through the plan can not be greater than your spouse's income or half of your income, whichever is less. Special rules apply if you/your spouse is a full time student, so be sure to consult a tax professional.

#### At the end of the year...

By receiving tax free reimbursements of eligible expenses, you can not claim the Child Care Credit for the same expenses. However, you still complete the Form 2441 when filing your taxes.

#### DCFSA Eligible Expenses

The following general rules apply to DCFSA expenses:

- The care must be necessary for you (**and** your spouse, if married) to work or be a full-time student.
- Child support payments are not eligible.
- Expenses you incur while you are not working, such as vacation, illness, holidays, or when volunteering are not eligible.
- The expense must be primarily for the care of the qualifying individual.
- Overnight camp costs are not eligible (day camps may be eligible).
- Before/after school care is eligible (kindergarten or higher is **NOT** because those expenses are considered education—education expenses do not qualify). If the dependent attends a private school that provides both education and before/after school care, have the facility provide you with a breakdown of the costs for 'care' versus 'tuition/education.'
- Paying someone to watch your dependent and do light housekeeping qualifies if the primary purpose of the expense is the care of the dependent.



#### Questions?

Call, email or fax us!



[flex@pagroup.us](mailto:flex@pagroup.us)



951.656.9273



951.656.9276

Your dedicated account service representative will be happy to assist with claims, questions, or balance inquiries.

# EXAMPLES Flexible Spending Accounts in Action

The tax information and projections in the following examples are estimates, and should not be assumed to be tax advice. Be sure to consult a tax professional to determine the appropriate tax advice for your situation. Please contact your employer's benefits representative if you have questions concerning how your employer's plan offering works or with questions regarding whether specific types of expenses are covered under it.



Susan and her husband John have one child. They both work full time. Their child is in day care while they are at work, at a cost of about \$100 per week—or more than \$5,000 per year. John is not enrolled in a dependent Care FSA through his employer, so Susan could elect to contribute up to \$5,000 to her DCFSA. She also anticipates about \$2,500 in medical expenses.

	<b>WITH FSA</b>	<b>WITHOUT FSA</b>
Annual Income .....	48,000	48,000
Estimated Dependent Care Expenses .....	-5,000	-0
Estimated Health Care Expenses .....	-2,500	-0
<b>Taxable Income .....</b>	<b>\$40,500</b>	<b>\$48,000</b>
Estimated Federal Withholding .....	-2,046	-3,180
Estimated FICA .....	-3,090	-3,672
Estimated Dependent Care Expenses .....	-0	-5,000
Health Care Expenses .....	-0	-2,500
<b>NET PAY</b>	<b>\$35,364</b>	<b>\$33,648</b>

Susan's spendable income increases by more than \$1,700!



## What's my Balance? PayPro App

- ✓ Check Account Balances
- ✓ View Status of a Claim
- ✓ Order a replacement Benefits Card
- ✓ Keep Track of Expenses
- ✓ Submit Claims

**Download our  
new, FREE  
App today!**



Submitting claims through the PayPro App is a new, convenient method of claim submission for our participants.

With a simple snap of your smartphone camera, your reimbursable expenses will be securely sent to us for review, with the app giving you status updates on your claim along the way. The App will also automatically notify you once your claim has been processed.

To download this FREE app please go to the link below or scan the QR Code which will redirect you to the link immediately:

<http://www.pagroup.us/mobile>



### PayPro Administrators

6180 Quail Valley Court  
Riverside, CA 92507

 [flex@pagroup.us](mailto:flex@pagroup.us)

 951.656.9273

 951.656.9276