

FLEXIBLE SPENDING ACCOUNTS



A Flexible Spending Account plan is an IRS Section 125 cafeteria plan that allows employees the option of pre-tax payroll deduction for some insurance premiums, unreimbursed medical expenses and child/dependent care expenses. Cafeteria plans are the fastest growing benefit enhancement. Employers use this to retain "quality employees" and help hire new employees.

EMPLOYERS SAVE.....EMPLOYEES SAVE

Employers will save when employees elect for pre-tax payroll deduction because lower adjusted gross income also reduces matching FICA and Federal Unemployment Tax.

Employees benefit because expenses for such items as health insurance premiums, unreimbursed medical (including some over the counter medications), vision, dental and child/dependent care expenses paid pre-tax result in **IMMEDIATE** tax savings.

Employees switch expenses to "before tax" and save on Social Security tax, federal income tax, as well as, state and local tax (in most states). Flexible spending accounts allow your employees to be reimbursed for health, dental and other medically-related expenses not covered by their insurances from an account funded with their own pre-tax contributions.

TAX SAVINGS HARD TO IGNORE

EXAMPLE OF EMPLOYEE SAVINGS	TAKE HOME PAY	
	WITHOUT FSA	WITH FSA
Your Gross Earnings Per Pay Period	\$750.00	\$750.00
Employee Pays to Spending Account (before tax)	\$0	\$150.00
Taxable Income	\$750.00	\$600.00
Taxes (estimated at 25%)	\$187.50	\$150.00
Balance	\$562.50	\$450.00
Employee Pays Health/ Day Care Expenses (after tax)	\$150.00	\$0
What Is Left After Those Expenses	\$412.50	\$450.00
YOUR SAVINGS:		
Per Pay	\$0	\$37.50
ANNUAL SAVINGS	\$0	\$975.00

EXAMPLE OF EMPLOYER SAVINGS	XYZ Company with 10 employees	
	WITHOUT FSA	WITH FSA
Annual Payroll	\$300,000	\$300,000
Employee-Paid Premiums	\$0	-\$24,000
Unreimbursed Medical Expenses	\$0	-\$3,000
Dependent Daycare Expenses	\$0	-\$10,000
Taxable Payroll	\$300,000	\$263,000
FICA Tax (7.65%)	\$22,950	\$20,120
ANNUAL SAVINGS	\$0	\$2,830