

FLEXIBLE SPENDING ACCOUNT

As provided under section 125 of the Internal Revenue Code, a FSA plan is sponsored by the City of Lincoln allowing you to pay for certain employee benefits on a **pre-tax basis**. The plan consists of three accounts:

Account #1	<p>Health and/or Dental and/or Vision Premiums Deductions from your paycheck will automatically be deducted on a pre-tax basis.</p>
Account #2	<p>Health Care Reimbursement Account You can be reimbursed for health care expenses (including medical, dental, hearing and vision care) up to an annual amount you specify. Plan year maximum is \$2,500.</p> <p>This account features an extra 2 ½ month “grace period” to incur expenses past the end of the plan year on Oct. 31 for participants who are active in Account # 2 on the last day of the plan year! Grace period eligible health care expenses must be incurred by Jan. 15, and submitted to PayFlex by Jan. 31.</p>
Account #3	<p>Dependent Day Care Reimbursement Account permits you to set aside pre-tax money to reimburse yourself for the cost of child care expenses. To be eligible to use this account, you must be at work during the time the care is provided. Plan year maximum is \$5,000 (\$2,500 if you and your spouse file separate tax returns).</p>

The FSA plan saves you money because the dollars you put into the plan are never taxed. Your contributions are deducted from your pay before taxes are taken out. You will pay less in Social Security taxes. Actuarial studies show that the tax savings you have during your years of participation in the FSA plan is greater than the reduction in Social Security benefits due to participation. However, remember to be conservative with this option because of the "USE IT OR LOSE IT" consequences of these accounts.