



**FlexAmerica**

Form **1120**

Department of the Treasury  
Internal Revenue Service

# U.S. Corporation Income Tax Return

For calendar year beginning \_\_\_\_\_, ending \_\_\_\_\_  
See page 1 for Paperwork Reduction Act Notice.

Name \_\_\_\_\_

13:44:30 V3.07

Check if a:  
Consolidated return - Attach Form 990  
Personal holding company - Attach Sch. PHO  
Rental real estate service - Attach Form 990-B

Dividends (Schedule C, line 1)  
Interest  
Royalties  
Gain net income (attach S-100)  
or (loss) from Form 4797  
Other income (see instructions)  
Total income. Add lines 3 through 7

Handwritten numbers on crumpled paper:  
89 + 0  
56 + 20 +  
81 + 25 +  
47 + 95 +  
91 + 02 +  
10 + 92 +  
78 + 53 +  
64 + 80 +  
22 + 00 +  
58 + 00 +  
87 + 50 +

SEE STATEMENT 1		1c	
SEE STATEMENT 2		2	
SEE STATEMENT 2		3	
SEE STATEMENT 2		4	
SEE STATEMENT 2		5	
SEE STATEMENT 2		6	
SEE STATEMENT 2		7	
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SEE STATEMENT 2		11	
SEE STATEMENT 2		12	
SEE STATEMENT 2		13c	
SEE STATEMENT 2		14	
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SEE STATEMENT 2		16	
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SEE STATEMENT 2		18	
SEE STATEMENT 2		19	
SEE STATEMENT 2		20	
SEE STATEMENT 2		21a	
SEE STATEMENT 2		21b	
SEE STATEMENT 2		22	
SEE STATEMENT 2		23	
SEE STATEMENT 2		24	
SEE STATEMENT 2		25	
SEE STATEMENT 2		26	
SEE STATEMENT 2		27	
SEE STATEMENT 2		28	
SEE STATEMENT 2		29a	
SEE STATEMENT 2		29b	
SEE STATEMENT 2		29c	
SEE STATEMENT 2		30	

98121

-42.1c Bal

SEE STATEMENT 1

SEE STATEMENT 2

SEE STATEMENT 2

Subtract line 27 from line 11

400.

68,447  
273,910  
-29,053

# FLEXIBLE SPENDING ACCOUNTS

## THE LEGAL WAY TO LAUNDER MONEY

### What is a Flexible Spending Account?

- ◆ A tax break under the IRS Code which allows employees a choice between tax-free benefits and cash.
- ◆ Provides the legal framework for employees to reduce their pay for insurance premiums, out-of-pocket medical and dental expenses, dependent care and transportation expenses without paying federal, state or FICA taxes, saving at least 30% in taxes on their election.
- ◆ Employers save between 1.45%- 7.65% in FICA taxes based on employee elections.

#### Your Legal Obligations

The plan must be in writing  
IRS Form 5500 must be filed annually  
Non-discrimination Tests must be performed annually  
Initial Election Forms should be completed by employees  
SPD distributed to plan participants

## TAX SAVING OPTIONS

### Premium Only Plan

- ◆ Often called a POP plan or Section 125 plan.
- ◆ Allows premiums paid by employees to be deducted prior to withholding of taxes.
- ◆ Eligible premiums include health, dental, vision, and group term life up to \$50,000.
- ◆ Employers and employees save taxes.

### Healthcare Spending Account

- ◆ Allows employees to reduce their salary to pay for expenses not covered by insurance such as: co-pays, eye glasses, contact lenses, crowns, root canals, orthodontia, deductibles, and co-insurance.
- ◆ Employees elect annually the total amount to be set aside for their families' unreimbursed expenses.
- ◆ Amounts are withheld in equal increments through payroll deductions.
- ◆ Provides a tax savings for all employees since most people do not qualify for the federal deduction.
- ◆ Employees who are not participating in the company sponsored medical &/or dental plan(s) are still eligible to participate.
- ◆ Employees can receive the maximum elected benefits by maintaining a negative account balance.

### Dependent Care Account

- ◆ Option for employees to pay for dependent care expenses.
- ◆ Provides a maximum of \$5,000 in benefits for 1 or more dependents.
- ◆ Employees can choose between the federal child care tax credit or the company's Dependent Care plan.
- ◆ Employees cannot maintain a negative account balance.
- ◆ Employees can change election within 30 days of a change in provider or cost of provider.

### Premium Reimbursement Account

- ◆ Option for employees with individual health insurance policies to set aside money in an additional account similar to the dependent care account to pay the premiums on a before tax basis.
- ◆ Employees cannot go into a negative balance.
- ◆ The premiums must be for an individual policy billed to the employee, not COBRA or other group plan.
- ◆ Example of eligible expenses include Tricare Supplemental and other individual policies purchased in the employee's name through insurance companies such as Blue Cross Blue Shield.

### Flex Dollars

- ◆ Plan that gives employees the choice between different types of benefits or cash to suit their individual needs.
- ◆ Typically used by companies that currently pay 100% for benefits.
- ◆ Transitions employees from high cost plan to less costly managed care plans.
- ◆ Eliminates "double coverage" by offering cash to those waiving group coverage.

### Parking & Transit Reimbursement Accounts

- ◆ Allows qualified employee parking and transportation expenses to be paid for with pre-tax dollars.
- ◆ "Use it or lose it" does not apply. Unused balances cashed out at end of calendar year.
- ◆ Eligible expenses include metro, vanpool, bus, rail and monthly parking.
- ◆ Monthly maximums apply separately to both parking and transportation accounts.
- ◆ 1% expense rule applies to transit passes.

# TAX SAVINGS: THE REASON FOR THE WORK

	W/out Plan	W/ Plan
Employee Salary	\$30,000	\$30,000
Annual pre-tax election	0	-\$2,000
Taxable income	\$30,000	\$28,000
Taxes withheld (30.65%)	\$9,195	\$8,582
Annual after-tax expenses	-\$2,000	\$0
Take-home pay	\$18,805	\$19,418
<b>Increase in take home pay w/ FSA</b>		<b>\$613</b>

## What makes FlexAmerica different?

- ◆ Standard weekly claim processing.
- ◆ Online employer and participant account balances, claims processed and checks received.
- ◆ Direct Deposit.
- ◆ Online Open Enrollment.

## How is this going to save my company any money?

	W/out Plan	W/ Plan
Annual payroll	\$3,000,000	\$3,000,000
Pre-tax benefits	\$0	\$60,000
FICA taxable wages	\$3,000,000	\$2,940,000
Matching FICA taxes (7.65%)	\$229,500	\$224,910
<b>Net tax saving</b>		<b>\$4,590</b>

### How much are you going to save?

Annual employee contributions to group insurance	\$ _____
FSA Option: _____ (# of employees participating) X 40% X \$1500 (average employee deferral) = Annual employee FSA deductions	+ \$ _____
Total Annual Deductions	\$ _____
FICA Tax	x .0765
<b>Annual Tax Savings</b> = FICA Tax X Annual Deductions	\$ _____
Less Administrative Costs	

## FSA QUESTION & ANSWER

### Q. When can I start a flexible spending plan?

- A. Plans can be started at any time during the year. Employers who start plans off the calendar year usually elect a short plan year for the first year.

### Q. What are the maximums for the plan?

- A. The maximum annual election for the dependent care is \$5,000 per family. The employer sets the maximum for the healthcare spending account.

### Q. What are the risks of the plan?

- A. Employees who do not use their elected benefits by the end of the plan year lose their money. If an employee leaves with a negative account balance, the monies cannot be withheld from the final paycheck.

### Q. What are the government requirements?

- A. The plan must file a 5500 annually, perform discrimination testing on the total benefits and dependent care benefits, and is subject to COBRA & FMLA.

### Q. Are there any ineligible employees?

- A. Yes, partners, 2% owners of S corporations, LLC and PLLC members, and in some cases their direct family members.

### Q. Who are eligible employees?

- A. Usually plans allow employees who are eligible to participate in their group health insurance plan to enter flex plans. Additionally, affiliated employers and companies who have 80% common ownership must be included.

### Q. What should our Accounting and HR Department expect to do?

- A. Track employee deferrals and notify FlexAmerica of new hires and terminations.

### Q. What happens if there is extra money at the end of the year?

- A. Employees have a grace period, usually 90 days past the end of the plan year to submit expenses. All remaining money is retained by the employer after the grace period. These funds may not be given back to the employees who have forfeited money. Most employers use the money to offset plan costs.

### Q. Can employees change their elections during the plan year?

- A. Yes, but only if they have a change in status such as: birth, death, adoption, marriage, divorce, or change in employment status of a spouse. Dependent care participants can also change election if day care provider or cost of care changes.

### Q. Are there any ineligible expenses?

- A. Yes. The most common ineligible expenses are cosmetic surgery, teeth whitening and fitness related expenses.

### Q. What should I expect as the average employee deferral?

- A. FlexAmerica's average annual deferral is \$1,500. This saves the employer \$120 per year on FICA taxes.

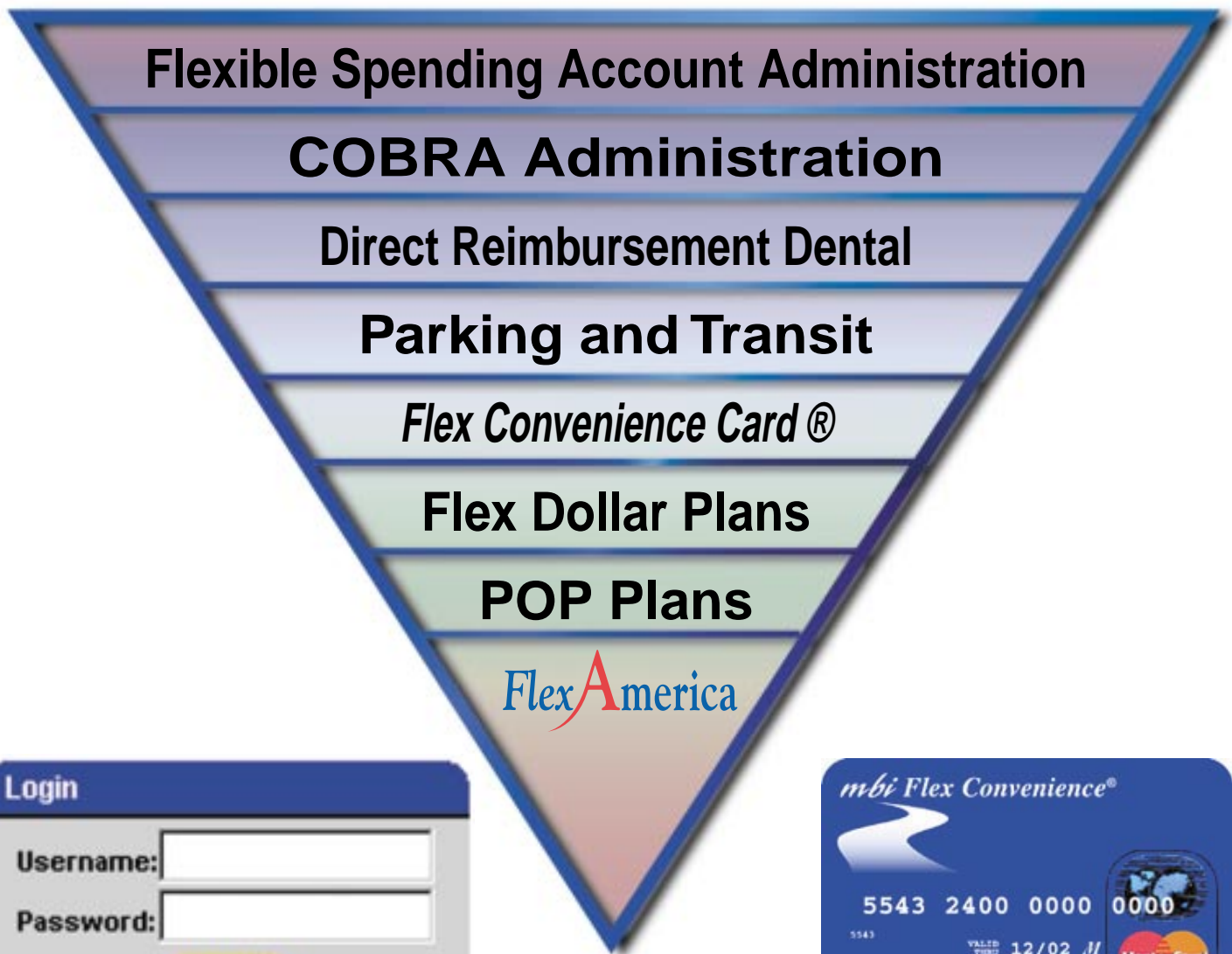
### Q. Are there any benefits I should not run through the plan?

- A. Yes. Disability premiums paid by employees through a cafeteria plan in turn makes the benefits taxable; therefore, they should not "run" through a flex plan.

### Q. Does FlexAmerica share client data?

- A. No, all data is secure and is not shared or sold.

# Balance Your Benefits on a Strong Foundation



Login

Username:

Password:

Login



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Count on us when your world gets turned upside down