

YOUR MONEY MATTERS

Flexible Spending Accounts Can Benefit Employers And Employees

(NAPSA)—A growing number of small business owners are finding their companies can make use of a health and dependent care benefit designed to save money for both employees and business owners. It's called a flexible spending account (FSA).

An FSA plan refers to section 125 of the Internal Revenue Code that outlines a pre-tax benefit, but also functions as a reimbursement account. The plan allows an employee to allocate part of their salary for unreimbursed medical expenses or dependent care expenses before the taxes are assessed on wages.

An FSA helps employees pay for qualified expenses not covered by an employer's benefit plans.

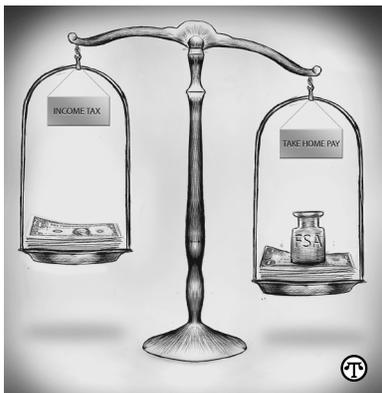


As a pre-tax benefit, an FSA is a powerful tax-saving tool. Participants designate a portion of their pre-tax salary to be deposited into the plan, effectively reducing their taxable income along with the employer's Social Security (FICA) payroll tax liability.

An FSA can be used to pay for medical, dental, and dependent care expenses, including co-payments, deductibles, and even some over-the-counter medications.

The amount an employee can contribute to an FSA is at the discretion of the employer.

For easy administration, FSA



deductions can be an automatic part of the payroll process for employees' pre-tax deductions.

Using a special debit card is a growing trend in FSA reimbursement. When they use the card at retailers with an inventory information approval system—or IIAS—installed, users don't have to submit claims for their purchases. The technology simply alerts the system that the expense is eligible. IIAS installations are increasingly found at grocery and discount stores and wholesale clubs, as well as mail- and Web-based vendors.

An IIAS means lower risk for employers because an employee can't accidentally use the card for something that is not FSA eligible.

When not using an FSA debit card for qualified expenses, participants can submit expense claims through a secure Web site or by mail, and have reimburse-

ments made directly from their accounts. Paychex, a leading provider of payroll, human resource, and benefits outsourcing solutions for over 560,000 small- to medium-size businesses, offers its client companies a toll-free FSA support line and an automated phone system for access to specific account information.

Most of the millions of employees who take advantage of FSA plans know that they lose any unclaimed dollars in their accounts each year. Depending on their employer, there is a special deadline for using FSA funds and filing FSA claims to be aware of each year.

"The flexible spending account is a tool that small businesses can use to compete for the best employees," said Tony Tortorella, vice president of Human Resource Services, Sales for Paychex. "FSAs enable employers and their employees to share the savings and convenience."

To learn more, visit www.paychex.com.

Employees who use an FSA may also have options for:

- Direct deposit of reimbursement funds
- Check signing and mailing of reimbursement checks to their homes
- An FSA debit card that is easy to use and helps increase employee enrollment.

