

SECTION 125 Cafeteria Plan

Medical Expense & Dependent Care Reimbursement

What is a Section 125 Cafeteria Plan?

A Cafeteria Plan (under IRS Code Section 125) is a benefit available when you choose an eligible health plan with your employer. It allows you to withhold a portion of your pretax salary to cover your insurance premiums and certain medical and child care expenses. This allows you to pay less taxes and increase your take home pay at the same time.

Section 125 Plan Sample Paycheck

The example below shows how a married employee claiming one exemption can reduce their taxable income when they pay for their insurance coverage on a pre-tax basis.

Without Section 125

Monthly Salary	\$2,000.00
Less Medical Deductions	N/A
Taxable Gross Income	\$2,000.00
Less Taxes (Fed/State @ 20%)	- \$400.00
Less Estimated FICA (7.65%)	- \$153.00
Less Medical Deductions	- \$250.00
Take Home Pay	\$1,197.00

With Section 125

Monthly Salary	\$2,000.00
Less Medical Deductions	\$250.00
Taxable Gross Income	\$1,750.00
Less Taxes (Fed/State @ 20%)	- \$350.00
Less Estimated FICA (7.65%)	- \$133.00
Less Medical Deductions	- N/A
Take Home Pay	\$1,267.00

You saved \$70 per month in taxes by paying for your benefits on a pre-tax basis!

Participation in the Section 125 Plan will increase your spendable income.

First Financial is proud to be your Section 125/Flexible Spending Accounts Plan Provider. For more information or to enroll in this plan, see your Account Representative.



Flexible Spending Accounts

There are two types of Flexible Spending Accounts (FSAs): Medical Reimbursement and Dependent Day Care (DDC). Your participation in an FSA program allows a portion of your salary to be redirected to provide reimbursement for these types of expenses on a tax-exempt basis. At the beginning of each plan year, you elect a specific dollar amount for each FSA you wish to participate.

Money remaining in your FSA account(s) will not be returned to you at the end of the plan year. Any amount remaining after the end of the runoff or grace period, if your employer offers one, will be forfeited. Because of the use-it-or-lose-it rule, it is important for you to carefully estimate your out-of-pocket Medical Reimbursement and DDC expenses for the upcoming plan year.

Medical Reimbursement FSA

With the FSA, you can pay out-of-pocket health care expenses for yourself, your spouse and all of your eligible dependents for health, dental, and vision care expenses. The services must be incurred while you are actively participating in the FSA plan. The eligible expenses may be reimbursed regardless of whether you, your spouse or dependents are covered by your employer's medical, dental, or health plan.

*Please be aware of change in tax law – Beginning Jan. 1, 2011, money from flexible spending accounts will no longer be available to pay for most over-the-counter drugs and medicines without a doctor's prescription. **Due to Healthcare Reform, all Medical Reimbursement Accounts will have an annual maximum of \$2,700 starting January 1, 2019.***

Common Eligible Expenses

- | | |
|--|-------------------------|
| » Co-Payments | » X-Rays |
| » Co-Insurance | » Vision Expenses |
| » Deductibles | » Lasik Surgery |
| » Over-the Counter Drugs
<i>(with physician's prescription)</i> | » Physical Therapy |
| » Dental Treatment | » Chiropractor Services |
| » Orthodontia | » Acupuncture |
| » Lab Fees | » Eye Contact Solution |
| | » Eye Drops |

Common Ineligible Expenses

- | | |
|---|-------------------------------|
| » Cosmetic Surgery | » Toiletries |
| » Teeth Whitening | » Medical Insurance Premiums |
| » Veneers | » Health Club Membership Fees |
| » Botox | |
| » Non Prescribed Vitamins and Supplements | |

Common Eligible Expenses

- » Day Camps
- » Before/After School Care
- » Babysitters/Day Care Centers
- » Au Pair
- » Nanny
- » Nursery School

Common Ineligible Expenses

- | | |
|--|--|
| » Registration Fees | » Care provided by anyone under age 19 |
| » Care for child while not working | » Pre-School |
| » Kindergarten | » Books and Supplies |
| » Food/Activity expenses if separate from cost of care | » Field Trips |

Dependent Care FSA

The Dependent Care FSA allows you to pay for day care expenses for your qualified dependent/child with pre-tax dollars while you (and your spouse) are working, seeking employment, or attending school as a full-time student for at least 5 months during the year.

A maximum of \$5,000 is allowed for reimbursement of dependent day care expenses per calendar year (the amount changes to \$2,500 if you are married and file a separate tax return).