

Flexible Spending Accounts

To help cut your tax bill, your employer offers two flexible spending accounts (FSAs). By participating in these accounts, you can save tax dollars on health care and dependent day care expenses because you contribute to spending accounts on a before-tax basis and then receive tax-free reimbursement for your eligible expenses. If you normally spend money out of your own pocket for unreimbursed health care expenses or work-related dependent care bills, you should consider using the Flexible Spending Accounts. By using the accounts to pay for your eligible expenses, you can save significant dollars in taxes. If you have any additional questions about Flexible Spending Accounts after reviewing this material, please access our website:

<http://pzappaandassociates.com/>

Eligibility

For both Health Care and Dependent Care Spending Accounts, you are eligible on a date set by your employer.

Health Care Spending Account

You can be reimbursed from your Health Care Spending Account for allowable medical, dental, and vision expenses that are not reimbursable under any other plans (expenses such as deductibles, co-payment, eyeglasses or contact lenses, orthodontia, and so on).

Eligible Expenses (partial list)

The IRS determines which health-care related expenses are eligible for reimbursement based on the medical expenses you could deduct on your income tax return. Expenses that you pay through the health care account cannot be used in claiming a deduction on your tax return. Here are some examples of eligible expenses that can be reimbursed under the health care account to the extent they are not reimbursed by insurance:

Acupuncture	Chiropractors	Eye Exams	Lab Fees	Routine Physicals
Contacts	Crutches	Braces and Orthodontia	Deductibles	Co-payments
Dental Fees	Eyeglasses	Laser Eye Surgery	Immunizations	Hearing Aids
Oxygen	Prosthesis	Counseling	Prescription Co-pays	Over-the-counter drugs

For a more complete list, please consult IRS Publication 502 ("Medical and Dental Expenses"), or a tax advisor.

Ineligible Expenses (partial list)

Certain types of expenses are generally not eligible for reimbursement from your health care account, based on IRS guidelines. Again this is only a partial list.

Cosmetic Surgery to Improve Appearance	Diaper Service	Electrolysis
Funeral Expenses	Hair transplants	Insurance Premiums
Teeth Whitening	Exercise Programs	Stress Reduction Programs

Dependent Care Flexible Spending Account

Through the Dependent Care Flexible Spending Account, you can save taxes on day care expenses incurred so that you (and your spouse, if you're married) can work. If you decide to participate, the minimum annual contribution is \$100 and the maximum annual contribution is \$5,000 (or up to \$2,500 if you're married and filing separate tax returns). The \$5,000 annual limit is a total family limit, so if your spouse participates in a similar plan, your contributions must be combined for this purpose.

Eligible Expenses

As under the Health Care Flexible Spending Account, IRS rules govern the types of expenses you can pay through your Dependent Care Flexible Spending Account.

- Expenses must be necessary so that both you and your spouse (if you're married) can work.
- Care must be for your child under age 13, or for an older disabled dependent who lives with you at least eight hours per day (24 hour nursing home care does not qualify).
- Care provided inside or outside your home by a baby-sitter, day care center, nursery school, or a day camp, but cannot be provided by your own child under age 19, or by any individual you claim as a tax dependent.
- All claims must be accompanied by a third party confirmation of your expenses, such as an invoice or receipt from your care provider.
- You must report the name, address, and taxpayer identification number (Social Security number) of your dependent care provider on your own tax return, unless your provider is tax-exempt.

Additional IRS rules apply that may affect your ability to participate in the dependent care account. For more information, please consult IRS Publication 503 ("Child and Dependent Care Expenses"), or a tax advisor.

Changing Your Health Care and Dependent Care Contribution Amounts

You can change your Flexible Spending Account contribution(s) amount during the year if you have a change in family or employment status. Changes in status include: marriage; divorce; loss or gain of an eligible dependent; change in your spouse's employment; change in employment status from part time to full time or full time to part time for you or your spouse; gain or involuntary loss of your spouse's medical coverage.

Use It Or Lose It

While both the Health Care and Dependent Care Flexible Spending Accounts offer significant tax advantages, the IRS requires that they be used only for eligible services you receive during the year. The accounts operate for one year at a time. At the end of each year, any amount left in your account that you have not spent on eligible services must be forfeited. Although you will have three months following the end of the year to submit claims for services received during the year, it is important to estimate your expenses carefully and contribute only the amount that you are sure you will spend this year. Remember that you must use the contributions to your account within the same year. So it's important to estimate carefully and consider any periods of vacation or other times you won't require care.

The Company reserves the right to amend or terminate the Plan at any time.