Horizon *MyWay* FSA

The Unreimbursed Medical and Dependent Care Spending Accounts are a tax-advantaged way to pay for out-of-pocket health care expenses, and work-related daycare expenses. This benefit allows you to reimburse yourself for eligible expenses with "pre-tax" dollars, which means that you get a tax deduction for these expenses before you ever file your tax return. You don't pay federal income or Social Security taxes on this money and, in most states, you don't pay state taxes either.[1]

Authorized by the IRS, these accounts let you set aside money from your salary before taxes are withheld. As you incur health care expenses or daycare expenses throughout the year, you submit a claim for those expenses, and are reimbursed with tax-free dollars from your account(s).

- The Unreimbursed Medical Spending Account reimburses you for out-of-pocket health care expenses for medical, dental, vision, or hearing expenses.
- The Dependent Care Spending Account reimburses you for dependent daycare expenses you incur in order to allow you (or you and your spouse) to work.
- When you use these accounts, your taxable income is reduced, therefore you will pay less in income taxes.

How the accounts work

You decide during the annual open enrollment period to elect in the Unreimbursed Medical and/or the Dependent Care Spending Account. This is how it works:

- You estimate the amount you will spend on out-of-pocket health care expenses and/or daycare expenses during the year.

- You decide how much you wish to set aside into your Unreimbursed Medical and/or Dependent Care Spending Account.
- The amounts you wish to set aside into your account(s) will be deducted from your paycheck in equal amounts each pay period on a "pre-tax" basis.
- As you receive services and incur health care expenses or daycare expenses throughout the year, you submit a claim for the expenses, and are then reimbursed from your account(s).
- You may file claims as often as you wish — weekly, monthly, etc.
- Any dollars left over in your account at the end of the year are forfeited. Therefore, you should contribute only what you know you will spend on predictable expenses. There is a run-off period (typically 3 months) following the end of the plan year for employees to submit expenses incurred in the previous year.

The tax advantage

The advantage of the Flexible Spending Accounts is that you don't pay federal income or Social Security taxes on this money before it goes into your account, and you don't owe taxes on it when it is paid out to you. In most states, you don't pay state taxes either.[1]

By participating in the Unreimbursed Medical and/or Dependent Care Spending Accounts, you will lower your taxable income, which means less income taxes.

[1]State taxes are not exempt in New Jersey for the Unreimbursed Medical and Dependent Care Spending Accounts. State taxes are not exempt in Pennsylvania for the Dependent Care Spending Account.