

## **EAST HAMPTON UNION FREE SCHOOL DISTRICT**

Dear Flexible Spending Participant:

The East Hampton Union Free School District's flexible compensation program's plan year will end on December 31, 2010. It is now time for all employees to do three things:

1. If you contributed to a Health Care Flexible Spending Account, please be sure to use up your account balance. Claims for unreimbursed medical expenses incurred prior to 12/31/10 can be submitted up until 3/31/11. After that date, any amounts left in your account will be forfeited. If you want to check the status of your account, call Fitzharris Administrators at 1-(800) 321-1336.
2. Attached is an Election Form for the Plan Year 1/1/11 to 12/31/11. Now is the time to start thinking about medical, dental, vision care, etc., expenses you may have coming up which will not be reimbursed by our medical plans. The maximum annual deposit into your Flexible Spending Account cannot exceed \$3,000. The minimum is \$300.
3. Dependent Care Spending Account - Allows you to set aside before taxes, money from your earnings to pay for dependent care services (day care, baby-sitting, elder care) that are necessary so you (or, if married, you and your spouse), can go to work. Note that the Dependent Care Spending Account cannot be used to pay for your dependent's health care expenses. You may elect to have salary reduction contributions, in an aggregate amount not to exceed \$5,000 per plan year, or in the case of married participants filing separately, \$2,500 per plan year.

Please return all election forms to the Business Office by November 22, 2010.

**EAST HAMPTON UNION FREE SCHOOL DISTRICT  
FLEXIBLE COMPENSATION PLAN  
ELECTION FORM AND COMPENSATION REDUCTION AGREEMENT  
PERIOD OF COVERAGE - 1/1/2011 THROUGH 12/31/2011**

Name (print) \_\_\_\_\_

Address \_\_\_\_\_

S.S. # \_\_\_\_\_

**FLEXIBLE SPENDING ACCOUNTS**

**1. HEALTH REIMBURSEMENT ACCOUNT**

( ) I hereby elect to make the following annual contribution to my Health Care Flexible Spending Account under the Plan and hereby agree that the annual contribution will be made in equal amounts each pay period through payroll deduction:

\$\_\_\_\_\_ total for the plan year.                      \$\_\_\_\_\_ for each pay period.

Note: The annual deposit in the Health Care Flexible Spending Account cannot exceed an amount of **\$3,000**.  
The minimum is \$300.

**2. DEPENDENT CARE ACCOUNT**

( ) I hereby elect to make the following contribution to my Dependent Care Flexible Spending Account under the Plan and hereby agree that the annual contribution will be made in equal amounts each pay period, through payroll deduction:

\$\_\_\_\_\_ total for the plan year.                      \$\_\_\_\_\_ for each pay period.

Note: The annual deposit in your Dependent Care Flexible Spending Account cannot exceed **\$5,000**.  
(\$2,500 for married participants who file separate returns.) The minimum is \$300.

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I understand that the above elections will remain in effect until that last day of the Period of Coverage noted above. I understand that I may change the above elections during the Period of Coverage noted above only if I experience a "status change", as defined under applicable law, and I may change my elections only in a manner consistent with that "status change". I understand further that if I do not complete and file a new Election Form during the next annual election period, the above elections will continue in effect until changed on a subsequent Election Form during a subsequent annual election period or until changed incident to a "status change" or a significant change in the coverage under the Plan. Finally, I understand that the elections noted above may need to be modified by the Employer to insure the Plan complies with applicable tax rules.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Participant

# MEMORANDUM

**TO: Flex Benefits Participants**

**FROM: Fitzharris & Co. Inc.**

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On Friday, September 3, 2010, the IRS issued its initial guidance with respect to the new rule included in the Affordable Care Act that requires a doctor's prescription for the reimbursement of over-the-counter (OTC) drug and medicines from a tax-advantaged health care account. While the guidance offers little in the way of new information, it does confirm the generally accepted interpretation of how the change will be applied.

In summary, the guidance confirms the following:

- Participants will still be able to use their tax advantaged health care accounts for purchases of **ALL** OTC drugs and medicines, as long as they have a doctor's prescription.
- The rule applies to all tax-advantaged health care accounts, including Flexible Spending Accounts (FSAs), Health Savings Accounts (HSAs), Health Reimbursement Arrangements (HRAs) and Archer Medical Savings Accounts (Archer MSAs).
- The rule takes effect January 1, 2011 and applies to purchases on or after January 1, 2011, regardless of plan year.
- The only acceptable form of documentation for reimbursement for OTC drugs and medicines is a doctor's prescription, as regulated by state law.
- Insulin, medical devices (crutches, blood sugar monitors, etc.) and items such as bandages, contact lens solution, denture bond, etc. remain eligible and will not require a prescription.

The IRS has posted additional details, *including a helpful FAQ*, about the OTC rule change on its *Affordable Care Act website* and includes links to the following:

- Text of IR-2010-95 is available at <http://www.irs.gov/irs/article/0,,id=227301,00.html>.
- Text of Rev. Rul. 2010-23 is available at <http://www.irs.gov/pub/irs-drop/rr-10-23.pdf>.
- Text of Affordable Care Act: Questions and Answers on Over-the-Counter Medicines and Drugs is available at: <http://www.irs.gov/newsroom/article/0,,id=227308,00.html>.