



TaxSaver

Helping you keep more of the money you earn

Now you can pay for your medical and dependent care expenses on a pre-tax basis. This program is called TaxSaver and as its name suggests, *it can save you tax money* on certain eligible expenses.

Why is this important? TaxSaver lets you set aside money each month from your gross pay—before taxes are deducted—to be used for some unreimbursed medical expenses (like your deductibles, coinsurance, and others) and for qualified dependent-care expenses (such as child- or adult-care, for example).

In this packet, you'll find the following information:

- Eight facts you should know about TaxSaver
- Estimating your medical-care expenses
- Estimating your dependent-care expenses
- Qualifying medical-care expenses
- Qualifying dependent-care expenses
- Requesting reimbursement for medical- or dependent-care expenses
- TaxSaver participation form for you to complete and return to your HR department



Eight facts you should know about TaxSav-

- Your Federal taxes will be reduced, so your take-home pay may be greater than under the old “after-tax” payment method.
- Recordkeeping is handled for you and will be reflected on your W-2 form. Keep receipts and other documentation for reimbursement and tax purposes.
- Social Security benefits will be based upon your adjusted gross pay after your cash compensation is reduced by the amount of your contributions. Since Social Security is based upon your career earnings, this should have only a small effect—if any—on your final benefit.
- The government requires you to make elections for an entire year. But if you have a “change in family status” or employment (for example, change in marital status, spouse’s employment, birth of a child), you can change this election during the year by submitting another completed Participation Form within 30 days of the status changes, if your employer allows.

Otherwise, an election can only be changed for next year. You’ll be able to make any changes by completing another Participation Form and submitting it before the start of the next plan year.
- Any amounts allocated to the Medical Expense Reimbursement Program can only be used for eligible medical expenses. Any amounts allocated to the Dependent-Care Reimbursement Program must be used only for eligible dependent care expenses. You may not transfer money between accounts.
- Due to tax laws, any amounts left in either the Medical Expense Reimbursement Program or the Dependent-Care Reimbursement Program and not used by the end of the year will be forfeited. You must “use it or lose it.”
- Claims must be received and approved within 90 days of the plan year’s end in order to receive reimbursement.
- Only incurred expenses are eligible for reimbursement from the Medical Expense Reimbursement Program or the Dependent-Care Reimbursement Program. “Incurred expenses” means expenses for services received during the plan year. If you terminate, your plan year ends.



Estimate your annual expenses for unreimbursed medical care and for dependent care, if applicable.

This is the amount you should set aside each year under TaxSaver. Please read the enclosed worksheets carefully to determine your eligible expenses and to estimate your personal set-aside amounts.

If you have any questions about completing the worksheets, please contact your human resources department.

TaxSaver Worksheet

medical expense reimbursement program

Complete this worksheet to determine how much of your salary you should place into your Medical Expense Reimbursement Program.

Be as accurate as possible when recording last year's expenses and be conservative when estimating next year's expenses.

Any money you put into the program must be used exclusively for eligible unreimbursed medical expenses, and you forfeit any money left over in this program at the end of the year. Please note limitations on long-term care services under "disallowed expenses."

If you are covered by a dental plan, be sure to include only additional uninsured amounts—beyond deductibles and coinsurance—in Section III.

If you don't have dental insurance, most medically necessary expenses are eligible for this program.

SECTION I: Deductibles and coinsurance

	Actual expenses last year	Expected expenses for coming year
How much do you and your spouse pay each year to fulfill medical and dental insurance deductibles?	\$ _____	\$ _____
How much do you and your spouse pay each year to fulfill medical and dental insurance coinsurance requirements?	\$ _____	\$ _____
Total annual cost for Section I	\$ _____	\$ _____

SECTION II: Other unreimbursed medical expenses

Routine exams	\$ _____	\$ _____
Prescription drugs	\$ _____	\$ _____
Vision care	\$ _____	\$ _____
Equipment/other expenses for the disabled	\$ _____	\$ _____
Treatment of mental/nervous conditions	\$ _____	\$ _____
Treatment of alcoholism or drug dependency	\$ _____	\$ _____
X-rays	\$ _____	\$ _____
Other uninsured medical expenses	\$ _____	\$ _____
Total annual cost for Section II	\$ _____	\$ _____

SECTION III: Other unreimbursed dental expenses

Exams and cleaning	\$ _____	\$ _____
Braces and retainers (only if medically necessary)	\$ _____	\$ _____
Fillings, crowns, bridges	\$ _____	\$ _____
X-rays	\$ _____	\$ _____
Dentures	\$ _____	\$ _____
Other uninsured dental expenses	\$ _____	\$ _____
Total annual cost for Section III	\$ _____	\$ _____
Grand totals (last year and upcoming year) Section I + Section II + Section III	\$ _____	\$ _____

TaxSaver Worksheet

dependent-care reimbursement program

Complete this worksheet to determine how much of your salary you should place into your Dependent-Care Reimbursement Program.

Be as accurate as possible when recording last year's expenses and be conservative when estimating next year's expenses.

Any money you put into the program must be used exclusively for unreimbursed dependent care expenses, and you forfeit any money left over in this program at the end of the year.

Funds from this account can be used to pay for dependent-care expenses that are necessary to allow you (and your spouse, if you're married) to continue working. (You may qualify to use this account even if your spouse doesn't work if he or she is a full-time student or incapable of self-care.)

Dependent-care expenses

	Actual expenses last year	Expected expenses for coming year
How much do you and your spouse pay each year for day care?		
For children	\$ _____	\$ _____
For adults	\$ _____	\$ _____
How much do you and your spouse spend each year for nursery school?	\$ _____	\$ _____
How much do you and your spouse spend each year for babysitters (either inside or out of your house)?	\$ _____	\$ _____
How much do you and your spouse spend each year for home health care for a physically disabled dependent?	\$ _____	\$ _____
Total annual cost	\$ _____	\$ _____

Please note:

The federally mandated maximum for dependent-care reimbursement is the lesser of:

- \$5,000 (or \$2,500 if married, filing separately) or
- your or your spouse's earned income, whichever is lower. If your spouse is a full-time student, or incapable of self-care, the spouse's earned income will be deemed \$200/month with one eligible dependent; \$400/month if more than one.

Only incurred expenses are eligible for reimbursement. Incurred expenses means expenses for care received during the plan year.

Eligible Medical Expenses

disabled care expenses	Artificial limbs • Braille publications • Seeing-eye dog and its upkeep • Car controls—excess cost over cost of an ordinary automobile • Care for mentally disabled child • Costs for special home for dependents incapable of self care • Device for lifting handicapped person into automobile • Devices such as a tape recorder or typewriter for a blind person • Equipment and plumbing—special for the disabled • Telephone—special for the disabled • Household visual alert system for a deaf person • Television audio display equipment for the deaf • Tutoring by licensed school or therapist for a child with severe learning disabilities • Wheelchairs or other equipment for the handicapped • Schools—special for the disabled.
medical equipment	Artificial limbs • Capital improvements to your home—if recommended by a physician (ramp for wheelchair, for example) • Crutches • Orthopedic shoes—excess cost over ordinary shoes • Syringes, needles • Wheelchairs • Vaccinations • X-rays
medical fees/services	Anesthesiologist's fees • Chiropractor's fees • Christian Science practitioner's fees • Dermatologist's fees • Gynecologist's fees • Nursing fees • Osteopath's fees • Physician's fees • Diagnostic fees • Surgical fees • Lab fees • Membership fees connected with furnishing medical services, hospitalization, and clinical care • Ambulance • Cosmetic surgery, if medically necessary • Electrolysis, with a letter of medical necessity • Hair transplant, with a letter of medical necessity • Hospital expenses • Obstetrical expenses • Organ donation—services connected with donating • Oxygen • Physicals—routine, school, work • Sterilization
dental care expenses	Braces and retainers (with a letter of medical necessity for persons over 18 years of age). Claims submitted must be for the monthly contract payments as they occur • Dentures • Extractions • Exams and cleaning • Fillings, crowns, bridges • Fluoridation—cost to fluoridate home water supply if recommended by physician • X-rays
expenses related to health insurance	Coinsurance amounts that you pay • Deductible amounts that you pay
hearing/vision expenses	Batteries for operation of hearing aids • Contact lenses • Eye exams • Fees of optometrist or ophthalmologist • Lenses and frames • Sunglasses—prescription • Hearing aids • FDA-approved laser eye surgery
prescription drugs	Birth control pills • Laetrile • Prescription drugs • Insulin • Vitamins prescribed by doctor
over-the-counter drugs	Over-the-counter medicines and drugs used to alleviate or treat personal injuries and sickness
psychiatric care expenses	Fees of licensed psychotherapist, psychologist, psychiatrist • Halfway house—to help adjust from life in a mental hospital to life in the community • Legal fees directly related to committing of a mentally ill person
therapy treatment	Acupuncture • Fee for swimming pool for exercise—if prescribed by a doctor to treat a specific medical condition • Hypnosis for treatment of illness • Kinesiotherapy—for cardiovascular and coronary rehabilitation only • Physical therapy • Speech therapy • Treatment for chemical dependency • Treatment for drug abuse or alcoholism • X-ray treatments
miscellaneous	Special diet, with a letter of medical necessity • Transplants

These types of expenses are typically eligible for reimbursement with funds from a Medical Expense Reimbursement Program (as long as they are not covered under your regular health or dental care plan). You can use this list to help estimate your uninsured or unreimbursed medical and dental expenses for the year. Important note: only incurred expenses are eligible for reimbursement. "Incurred expenses" means expenses for services that are provided during the plan year. For a more complete list of eligible expenses, consult Internal Revenue Service publication 502 or a tax advisor. You are not guaranteed reimbursement for all items on this list. Eligibility is subject to change—be conservative.

Disallowed Expenses

These expenses have been disallowed by the IRS or the courts. This is not an all-inclusive list:

- Qualified long-term care services
- Premiums paid for health plan coverage
- Auto insurance providing medical coverage for all persons injured in or by the taxpayer's automobile, where amounts allocable to taxpayer and dependent are not stated separately
- Contributions to state disability funds
- Cosmetic surgery
- Dental procedures that are not medically necessary
- Diaper service
- Dietary supplements and vitamins to maintain good health
- Distilled water bought to avoid drinking fluoridated city water supply
- Divorce expenses, even if doctor or psychiatrist recommends divorce
- Domestic help, babysitter, or similar person who provides services of a primarily non-medical nature
- Installation of power steering in a car
- Marriage counseling provided by clergy
- Maternity clothes
- Mechanical exercise device not specifically prescribed by a physician
- Membership fees for an exercise, athletic, or health club where there is no specific medical reason for needing the membership
- Mobile telephone used for personal calls, as well as calls to physician
- Nursemaid or practical nurse who renders general care to a healthy infant
- Physical treatments unrelated to a specific health problem
- Psychoanalysis undertaken to satisfy the curriculum requirements of a student
- Premiums for insurance against loss of income, loss of life, limb, or sight
- Premiums—any portion of a premium charge that represents a tax
- Religious cult deprogramming
- Smoking cessation program for general well-being
- Special foods taken as a substitute for a regular diet when the special diet is not medically necessary or the cost is not in excess of cost of normal diet
- Toiletries, cosmetics, and sundry items (soap, toothbrush, etc.)
- Union dues for sick benefits for members
- Vacuum cleaner for a person with dust allergy
- Weight loss program

Note: Qualified long-term care services are not eligible for reimbursement under the Medical Expense Reimbursement Program. "Qualified long-term care services" means necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative services, and maintenance of personal care services which are required by a chronically ill individual, pursuant to a plan of care prescribed by a licensed health care practitioner.

About dependent-care reimbursement

What is a dependent? A dependent is defined as:

- a dependent child under the age of 13 for whom you may legally take a tax exemption, or
- a dependent or spouse who is physically or mentally incapable of caring for himself or herself. An incapacitated dependent who is over age 13 must regularly spend at least eight hours a day in your household to qualify.

Using the TaxSaver Dependent-Care Reimbursement Program is just one way to handle your expenses for dependent care. Dependent-care reimbursement is available for both children and adults—such as elderly parents, or a disabled spouse. You also may be familiar with the federal tax credit available for some dependent-care expenses.

You should examine your own situation carefully or consult your tax advisor to see which is the better choice for you—the federal tax credit or the TaxSaver Dependent-Care Reimbursement Program. Your income, your tax bracket, your marital status, and other factors may make either the tax credit or the TaxSaver program more beneficial to you.

Any expenses that you fund through the Dependent-Care Reimbursement Program cannot be used toward a credit on your federal income tax. Work-related expenses eligible for the child and dependent-care credit (\$2,500 for one qualifying person and \$5,000 for two or more qualifying persons) must be reduced dollar for dollar by any reimbursement you receive under the Dependent-Care Reimbursement Program.

Every situation is different, and you should contact your tax advisor to determine which choice is best for you. Or, you may wish to refer to IRS Form 2441 to calculate your estimated federal tax credit and make your comparison. Please keep in mind that

state income taxes and state child care tax credits may affect your figures.

In addition, whether seeking reimbursement under the Dependent-Care Reimbursement Program or utilizing the child and dependent-care credit, you must include on your tax return the name, address and tax ID number of the care provider.

some restrictions apply

For example, care provided by the immediate family (mother, father, sister, brother) is not eligible for reimbursement.

In addition, if the facility provides full-time or part-time care for more than six people (excluding residents of the facility), the center must comply with the laws and regulations of the state or local government (licensing and building and fire code regulations, for example) in order for expenses to be eligible for reimbursement.

Funds from this Reimbursement Program may not be used to pay expenses for:

- care for which you are not charged
- travel, clothing, entertainment, food, or education for the dependent
- care not necessary to allow you and your spouse to work
- care provided by your spouse
- care provided by your dependent child under age 19
- care provided by another dependent for whom you claim a tax exemption
- care for which you do not have the provider's tax ID number

make sure you have your provider's tax ID number

both reimbursement and the tax credit are beneficial

Keep your reimbursements running smoothly

You may request reimbursement from either the Medical Expense or Dependent-Care Reimbursement accounts whenever you have accumulated at least \$25 of eligible unreimbursed expenses.

Here's what you need to do to keep the reimbursement process running smoothly:

- Keep receipts and other supporting documents to show what the expenses are and when they were incurred.
- Attain the provider's tax ID number for dependent-care expenses.
- Verify that expenses submitted for reimbursement are eligible expenses. (See enclosed sheet on eligible expenses.)

For Dependent-Care expenses, you can only be reimbursed with money accumulated in your account. If you request reimbursement for an amount larger than currently accumulated, you'll receive payment in the amount in the account; the remainder of the claim will automatically be paid to you in subsequent months as additional funds accumulate. You do not need to file a second form for the same expense.

For medical care expenses (with the exception of orthodontia), you can receive the entire amount of your claim up to the amount "budgeted" for deduction by the end of the year. For orthodontia, the most that can be reimbursed is a monthly payment. For more information, contact a TaxSaver representative at 1-888-TAX-SAVR (1-888-829-7287).

Reimbursement requests are processed and checks are issued within five days of your company's processing date. With each reimbursement check you receive, you'll receive a record of the reimbursement, along with a summary showing the balance of that account.

To request reimbursement

- Complete a Reimbursement Request & Affidavit. You may request reimbursement for medical expenses and dependent-care expenses on the same request.
- Attach copies of your expense receipts, which should include date of service, provider of service, type of service and dollar amount due. Important: You cannot be reimbursed if receipts do not accompany the request! Cancelled checks and credit card receipts do not qualify as receipts.
- Receipts for dependent-care expenses must include a written statement from the provider stating that the dependent-care expense has been incurred, the amount of the expense, and the tax ID number of the provider.
- Sign and date the form.
- Fax or mail your claim to:
TaxSaver
P.O. Box 4539
Iowa City, Iowa 52244-4539
Toll-free fax: +1 800 974 5190

Keep a copy of the form and receipts for your records.



Use it or lose it!

After your plan year ends, you will have 90 days to submit and receive approval for any remaining claims incurred during that plan year. You forfeit any funds that remain in your account(s) after the 90-day grace period. So...use it or lose it!

To learn more, visit:

<http://taxsaver.mercer.com>

Employer name

Employee name

Social security number

Employee address

Check here if this is a new address.

SERVICE CODE

- C - Co-payment
- D - Dental
- M - Medical
- P - Prescription
- V - Vision
- O - Other (please specify)

I hereby request reimbursement from the account(s) marked below:

Medical Expense Reimbursement Program

Date of service	Person receiving service	Relationship to employee	Provider of service	SERVICE CODE	Amount to be reimbursed
11-7-04	John	self	Dr. Jones	M	\$30.00
11-29-04	Betty	wife	Dr. Smith	V	\$45.00
SUBTOTAL =					\$75.00

Dependent-Care Reimbursement Program

Date of service	Person receiving service	Relationship to employee	Provider of service	Tax ID # of provider	Amount to be reimbursed
11-19-04	Sam	son	Connie Wright	12-34567	\$40.00
SUBTOTAL =					\$40.00

Please provide receipt or fill out the following information:

Care provider name

Care provider address

Care provider signature

Date

I certify that this information is correct to the best of my knowledge and that I am requesting reimbursement only for eligible expenses that have actually been incurred and that are not payable by any other insurance plan. I understand that any expenses for which I am reimbursed from these programs are not tax deductible on my federal income tax return. I further understand that it is my responsibility to keep receipts to verify these expenses.

X _____ X _____
Signature Date

IMPORTANT: Send the top copy of this form, with copies of your receipts attached, to TaxSaver, P.O. Box 4539, Iowa City, Iowa 52244-4539. Keep your original receipts and a copy of this form for your records. Receipts must include date(s) of service, description of service, charge of service and provider of service. Explanations of Benefits are acceptable.