



## Enroll in Tax\$ave and Keep More of What You Earn

**T**he Tax\$ave 2006 Open Enrollment period begins on **October 1, 2005** and ends on **October 31, 2005**. Tax\$ave Open Enrollment is your opportunity to save tax dollars in the 2006 tax year with the **Premium Option Plan** and the two Flexible Spending Accounts (FSAs) — the **Unreimbursed Medical Spending Account** and the **Dependent Care Spending Account**.

Enrollment in the Premium Option Plan component of Tax\$ave is automatic every year. The Flexible Spending Accounts require active enrollment each year. There are a variety of easy ways to enroll.

- ✓ You may enroll over the phone by calling Horizon Healthcare's automated voice response system at 1-800-224-4426 (October 1 – October 31, 2005).
- ✓ You may enroll over the Internet during the same time period at: [www.state.nj.us/treasury/pensions/taxsave.htm](http://www.state.nj.us/treasury/pensions/taxsave.htm) and follow the link to the Horizon Healthcare Web site.
- ✓ You can enroll by obtaining an enrollment kit from your benefits administrator. These forms must be postmarked by October 31, 2005, in order to enroll for the 2006 plan year.

For more information about the Tax\$ave plans, see the *Premium Option Plan* and *Tax\$ave... Savings You Can Bank On* fliers that accompanied this newsletter along with your paycheck, or visit the Tax\$ave Web page at: [www.state.nj.us/treasury/pensions/taxsave.htm](http://www.state.nj.us/treasury/pensions/taxsave.htm)

## NEW! — FSA Service Eligibility Period Extended

**T**he period for which services are considered eligible for reimbursement under the **Unreimbursed Medical Spending Account** has been extended. If you are enrolled in the UMSA, you may now submit claims for qualifying services performed between January 1 of the plan year and March 15 of the following year (For example: this year's period for eligible services is now January 1, 2005 through March 15, 2006).

**The deadline for submitting any claim forms for a particular plan year remains March 31 of the following year.** Under the Unreimbursed Medical Spending Account, any unused contributions that remain unclaimed in an account after the March 31 deadline are forfeited.

For a list of expenses that are eligible under the Unreimbursed Medical Spending Account, please visit the Horizon Healthcare Web site.

## Over-the-Counter Medications Covered

**M**any over-the-counter drugs now qualify for reimbursement in the **Unreimbursed Medical Spending Account**. Internal Revenue Service rules permit over-the-counter products/medications that are deemed for "medical care" to be reimbursable. "Medical care" includes amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease. Purchases of medicines and drugs are expenditures for medical care, but expenditures that are merely beneficial to your general health, such as vitamins and other supplements, are not eligible. For a list of expenses that are eligible under the UMSA, please visit the Horizon Healthcare Web site.

Horizon Healthcare suggests that members pay for eligible over-the-counter items and then submit a claim form for reimbursement — rather than use the *Benny™* Card (see page 2). Over-the-counter purchases made with a *Benny* Card may trigger an audit of the charges. (Currently, *Drugstore.com* and some Wallgreens stores are able to differentiate FSA eligible items for *Benny* Card purchases. Other stores and pharmacies may also provide this service in the future.)

## Direct Deposit Available for FSA Payments

**H**orizon Healthcare offers direct deposit of reimbursement payments from your **Unreimbursed Medical Spending Account** and **Dependent Care Spending Account**. The direct deposit application is available in the *Welcome Kit* that you receive after enrolling in an FSA plan, or the form can be printed from the Horizon Healthcare Web site.

## Benny Card Available with FSA Accounts

**T**ax\$ave **Unreimbursed Medical Spending Accounts** now include the Benny™ Card; a special MasterCard® that draws on the value of your annual Unreimbursed Medical Spending Account election amount. Using Benny is simple because funds are immediately transferred from your Unreimbursed Medical Spending Account at the time you incur a qualifying expense; improving your cash flow because you don't have to lay out cash at the time of purchase. You can use the Benny Card for qualifying expenses, such as covered prescription copayments, health plan deductibles, orthodontics, doctor and emergency room copayments, eyeglasses, Lasik surgery, and uncovered dentist or other provider fees.

The Benny Card is included **free** when you sign up for an Unreimbursed Medical Spending Account during Tax\$ave 2006. **If you are a continuing Tax\$ave 2005 member**, you should continue to use the Benny Card that you received at the start of the 2005 plan year. The value of your Benny Card is automatically renewed with your Tax\$ave 2006 election amount.

## FSAs Have Minimal Impact on Social Security

**S**ince payments to the **Flexible Spending Accounts** and benefits premium payments under **Premium Option Plan** are not subject to Social Security deductions, some members have opted not to participate in Tax\$ave because it would reduce their Social Security benefit. This may not be a good financial decision.

For example, consider an employee who retired in 1998 at age 65 and whose wages had been at the maximum wages subject to Social Security deductions. Upon retirement, this individual's monthly Social Security allowance was \$1,343.

If the same person had been contributing \$2,000 a year to a Flexible Spending Account for the last 10 years of employment, the tax savings would amount to \$353 – \$653 per year (depending on the person's tax bracket).

By contrast, the subsequent reduction in Social Security wages would have produced a monthly Social Security allowance of \$1,335, a difference of \$8 per month (\$96 per year).

Compare the two, and you can decide for yourself if this is reason enough to choose against saving on taxes now!

## Impact of Domestic Partnerships on Tax\$ave

**B**eginning July 10, 2004, State employees were able to add a same-sex domestic partner to their health and dental insurance coverage. The domestic partner must be able to qualify as a "tax dependent" of the employee for federal tax filing purposes — under Internal Revenue Code Section 152 — before any premiums that the employee pays for the domestic partner coverage can be made on a pre-tax basis under the Tax\$ave **Premium Option Plan**. Similarly, the domestic partner must qualify as the employee's tax dependent before an out-of-pocket medical expense incurred by the domestic partner can be reimbursed under the **Unreimbursed Medical Spending Account**. See IRS *Tax Topic 354 - Dependents* for additional information on the requirements for establishing dependent status for federal tax purposes.

If the domestic partner is not a "qualified tax dependent" of the employee, any premium deductions made for the domestic partner's coverage must be made on an after-tax basis and funds in the Unreimbursed Medical Spending Account cannot be used to cover the domestic partner's medical expenses.

Additional information about the recently enacted New Jersey Domestic Partnership Act can be found in Fact Sheet #71, *Benefits Under the Domestic Partnership Act*, which is available on the Division of Pensions and Benefits Web site: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)

## Commuter Tax\$ave Program

**T**ax savings on commuter mass transit and parking expenses are available anytime of the year as a separate benefit to State employees under the **Commuter Tax\$ave Program**, administered by TransitCenter, Inc. See Fact Sheet #67, *Commuter Tax\$ave Program*, or contact TransitCenter at 1-877-440-4407 for details.

### NJ Division of Pensions and Benefits

#### **Tax\$ave 2006** **Open Enrollment News**

**Fall 2005**

*Frederick J. Beaver*

**DIRECTOR**

Division of Pensions and Benefits

*John D. Megariotis*

**DEPUTY DIRECTOR**

Finance

*Steven R. Stokley*

**EDITOR**

Office of Client Services

*Tax\$ave Open Enrollment News* is published annually by the New Jersey Division of Pensions and Benefits to provide news and information to State employees regarding the New Jersey State Employees Tax Savings Program (Tax\$ave). The articles in this publication are for information purposes only and, while every attempt at accuracy is made, it cannot be guaranteed.

Access Tax\$ave forms and interactive calculation tools by visiting Horizon Healthcare through a link at: [www.state.nj.us/treasury/pensions/taxsave.htm](http://www.state.nj.us/treasury/pensions/taxsave.htm)