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

The Tax$ave 2014 Open Enrollment period begins on October 1, 2013 and ends on November 1, 2013. Tax$ave Open Enrollment is your opportunity to save tax dollars in the 2014 tax year with the Premium Option Plan and two Flexible Spending Accounts (FSAs) for Unreimbursed Medical Expenses and Dependent Care Expenses.

Enrollment in the Premium Option Plan component of Tax$ave is automatic every year. The Flexible Spending Accounts require that you re-enroll each year with WageWorks (formerly Fringe Benefits Management Company, a Division of WageWorks). There are a variety of easy ways to enroll in a FSA plan.

- Enroll online at: www.wageworks.com between October 1 and November 1, 2013.
- Enroll by obtaining an Enrollment Form from your benefits administrator or from the Tax$ave Web page at: www.state.nj.us/treasury/pensions/taxsave.shtml The form must be postmarked or faxed to 1-866-672-4780 by November 1, 2013, in order to enroll for the 2014 plan year.

For more information about the Tax$ave plans, see the Premium Option Plan and the Flexible Spending Accounts fliers which are available online at the Tax$ave Web page: www.state.nj.us/treasury/pensions/taxsave.shtml

Save Taxes on Health Care Contribution with the POP

Health care contributions or premiums required from most State employees for medical and prescription drug coverage under the SHBP are eligible for payment with before tax dollars when you are enrolled in the Tax$ave Premium Option Plan (POP). This reduces the federal income, Medicare, and Social Security taxes you would otherwise pay on these amounts.

State employees covered under labor agreements that retain earlier Premium Sharing arrangements are also eligible for the POP and can reduce federal income, Medicare, and Social Security taxes paid on the shared premiums. Enrollment in the POP is automatic every year for all eligible State employees — unlike the Flexible Spending Accounts which require that you re-enroll each year.

FSA Eligible Expense and Claim Periods

The period for which expenses are considered eligible for reimbursement for BOTH the Unreimbursed Medical and Dependent Care FSAs extends until March 15 of the following year. The deadline for submitting claim forms for a particular plan year extends to April 30 of the following year.

- For Tax$ave 2013 members, eligible FSA expenses may be incurred until March 15, 2014, and claims must be filed no later than April 30, 2014.
- For Tax$ave 2014 members, eligible FSA expenses may be incurred between January 1, 2014 and March 15, 2015, and claims must be filed no later than April 30, 2015.

Important Notice: Under the IRS guidelines for Unreimbursed Medical and Dependent Care Flexible Spending Accounts, any contributions that remain unclaimed after the April 30 deadlines are forfeited by the plan participants.

Commuter Tax$ave Program

Tax 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.
Medical FSA Maximum Allowance $2,500

The maximum annual allowance that can be set aside for a TaxSave Unreimbursed Medical FSA is $2,500 for the 2014 plan year. You can save federal income, Medicare and Social Security taxes on up to $2,500 of unreimbursed medical expenses and up to $5,000 on dependent care expenses. Enrolling in a TaxSave FSA makes sense when paying for doctor visit and prescription drug copayments, health plan deductibles, orthodontics, eyeglasses, Lasik surgery, many uncovered dental fees, or certain over-the-counter items (see article below). To enroll in either or both of the FSA plans visit: www.wageworks.com

NEW WageWorks® Health Care Card Available for FSA

TaxSave Unreimbursed Medical FSAs include the WageWorks® Health Care Card that draws on the value of your annual Medical FSA election amount. The WageWorks® Health Care Card is included free when you sign up with WageWorks for the Unreimbursed Medical FSA during Open Enrollment.

Using the WageWorks® Health Care Card is easy because funds are immediately transferred from your Unreimbursed Medical FSA 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 WageWorks® Health Care Card at approved providers and merchants 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 WageWorks® Health Care Card can also be used for certain eligible over-the-counter medical expenses at certified IIAS merchants (see article below about over-the-counter purchases).

The WageWorks® Health Care Card contains a “look back” feature to access unused 2013 Unreimbursed Medical FSA funds, before using funds contributed in the 2014 plan year, to reimburse eligible expense incurred prior to March 15, 2014.

Most Over-the-Counter Drugs and Medications Require a Prescription for FSA Reimbursement

The federal Patient Protection and Affordable Care Act (PPACA), requires you to obtain a prescription for any eligible Over-the-Counter (OTC) drug or medicine (except diabetic supplies) before it will qualify for reimbursement. This includes OTC items like: allergy drugs, pain relievers, cold and cough medicines, sleep aids, digestive aids, anti-gas medications, baby rash creams, and insect bite treatments.

If you wish to be reimbursed for these types of OTC items using your Unreimbursed Medical FSA, you must submit your doctor’s prescription along with your Claim Form to WageWorks (any eligible item requiring a prescription may be purchased using the WageWorks® Health Care Card if the prescription is used to purchase it).

OTC items like eyeglasses, wrist splints, and bandages, as well as durable medical items such as crutches and canes will continue to be reimbursed without a prescription.

Direct Deposit Available for FSA Payments

WageWorks offers direct deposit of reimbursement payments from your Medical or Dependent Care Flexible Spending Accounts. Set up your FSA reimbursement for direct deposit at: www.wageworks.com or request a Direct Deposit Enrollment Form by calling WageWorks Customer Service at 1-855-428-0446. Processing of direct deposit enrollment may take between four to six weeks.

Pennsylvania State Non-taxability

If you live in Pennsylvania, contributions to your Unreimbursed Medical FSA* are exempt from Pennsylvania state income tax. This means that you save money on both your federal and Pennsylvania state taxes. It’s one more reason for Pennsylvania residents to sign up for an Unreimbursed Medical FSA during the Tax$ave Open Enrollment.

*Dependent Care FSAs are subject to Pennsylvania state income tax but remain exempt from federal tax.
What is the Premium Option Plan?

The Premium Option Plan (POP) is a benefit of Tax$ave available to State employees participating in the State Health Benefits Program (SHBP). POP allows you to save money by paying any medical contributions and dental premiums you may have for your SHBP coverage with before-tax dollars. You will not have to pay federal income taxes, Medicare, or Social Security taxes on money earned which is used to pay contributions or premiums. Through the POP, you pay less in taxes and in turn increase your take-home pay.

How Do I Enroll?

Enrollment into the Premium Option Plan (POP) is automatic. The POP runs on a calendar year basis.

Advantages and disadvantages of the POP

The major advantage of the POP is that it increases your take-home pay by reducing your federal taxes — income, Medicare, and Social Security. The example at the right shows the additional take-home pay an individual could have when participating in the POP as opposed to not participating in the POP.

Enrollment in the POP is simple. If you wish to participate in the POP, do nothing and you will automatically be enrolled and pay less in taxes.

One of the disadvantages is that it may reduce your Social Security wage base which may slightly affect your Social Security payments when you eventually collect them.

If you do not wish to take advantage of this money saving plan in 2014, you must decline enrollment by completing a Declination of Premium Option Plan form. Even if you declined enrollment for 2013, you must complete another form declining enrollment for 2014. The form is available from your campus Human Resources Office, and must be returned to your Human Resources Office before their designated cut-off date.

Before you decline and pay more in taxes, read the article in the Tax$ave newsletter on Social Security. Declining POP may not be a wise financial decision for you.

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<th>Individual participating in POP</th>
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<tr>
<td>Net Biweekly Salary*</td>
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<td>Less Medical/Rx Contribution**</td>
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<td>Less Dental Premium**</td>
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<td>Less Estimated Taxes:</td>
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<td>Salary after Taxes</td>
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<td>Spendable Income with POP*</td>
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<td>Net Biweekly Salary*</td>
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Additional Spendable Biweekly Income with POP $ 23.62

Annual Savings with POP*** $614.12

* Salary after pension (414h) deduction of 6.78%.
** Medical/Rx Contribution based on NJ DIRECT 15 2013 plan year rate for Family coverage — Phase 3 State biweekly contribution rate from July 1, 2013 through June 30, 2014 (for employees hired before June 28, 2011). Dental Premium based on Dental Expense Plan 2013 plan year rate for family coverage (26 pay periods).
*** Savings based on a Married person with zero allowances at the 15% federal tax bracket. FICA calculated at 7.65% of taxable salary. At higher tax brackets, the annual savings would be greater.
Tax$ave, Adult Children, and Civil Union/Domestic Partners

Under the federal Patient Protection and Affordable Care Act (PPACA), qualified out-of-pocket medical expenses incurred by eligible, covered adult children until age 26 can be reimbursed through the Unreimbursed Medical FSA. Coverage applies until the end of the year in which the child turns age 26, regardless of the child’s marital or student status.

Children Age 26 to 31 — Chapter 375, P.L. 2005, permits continued SHBP medical plan coverage for certain children until their 31st birthday. Contributions or premiums that an employee pays for coverage of an over age child cannot be made on a pre-tax basis under the Tax$ave Premium Option Plan, nor can an out-of-pocket medical expense incurred by the over age child be reimbursed under the Unreimbursed Medical FSA, unless the child qualifies as a “tax dependent” of the employee for federal tax filing purposes under Internal Revenue Code Section 152.

See IRS Publication 503, Child and Dependent Care Expenses for additional information on the requirements for establishing dependent status for federal tax purposes. For more information about continued coverage for children age 26 to 31, see Fact Sheet #74, Health Benefits Coverage of Children Until Age 31 Under Chapter 375.

Civil Union/Domestic Partners — The Internal Revenue Service (IRS) now recognizes a marriage of same-sex spouses for federal tax purposes — including the tax saving benefits available through Tax$ave. This recognition, however, does not include a civil union partner or same-sex domestic partner. Before any payroll contributions or premiums that an employee pays for a partner’s SHBP medical or dental coverage can be made on a pre-tax basis under the Tax$ave Premium Option Plan, the civil union/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.

Similarly, the civil union/domestic partner must qualify as the employee’s tax dependent before out-of-pocket medical expenses incurred by the partner can be reimbursed under the Unreimbursed Medical FSA. See IRS Publication 503, Child and Dependent Care Expenses for additional information on the requirements for establishing dependent status for federal tax purposes.

If the civil union partner or domestic partner is not a “qualified tax dependent” of the employee, premium deductions for the partner’s coverage must be made on an after-tax basis and funds in the Unreimbursed Medical FSA cannot be used for the partner’s medical expenses.

Additional information about the New Jersey Civil Unions can be found in Fact Sheet #75, Civil Unions. Information about New Jersey Domestic Partners can be found in Fact Sheet #71, Benefits Under the Domestic Partnership Act. Both fact sheets are available on the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions

FSA Has Minimal Impact on Social Security

Payments to the Flexible Spending Accounts and premium payments under the Premium Option Plan are not subject to Social Security deductions. Therefore, some members opt not to participate in Tax$ave because it may slightly reduce Social Security benefits. 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 would be $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 between $353 and $653 per year (depending on the person’s tax bracket).

✓ By contrast, the subsequent reduction in Social Security wages would produce a monthly Social Security allowance of $1,335, a difference of only $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!