New Jersey Division of Pensions & Benefits (NJDPB)

TAX$AVE NEWS

Published Annually for New Jersey State Employees

OPEN ENROLLMENT FALL 2018

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

The Tax$ave Open Enrollment for Plan Year 2019 begins October 1, 2018, and ends on October 31, 2018. Tax$ave Open Enrollment is your opportunity to save tax dollars in the 2019 tax year with the Premium Option Plan (POP) and two Flexible Spending Accounts (FSAs) for Unreimbursed Medical Expenses and Dependent Care Expenses.

Enrollment in the POP component of Tax$ave is automatic every year. The FSAs require that you re-enroll each year with WageWorks. There are a variety of ways to enroll in an FSA plan.

- Enroll online at: ***www.wageworks.com*** between October 1 and October 31, 2018.
- Enroll by obtaining an *Enrollment/Change in Status Form* from your benefits administrator or from the Open Enrollment website at: ***www.nj.gov/oe*** The form must be mailed to: WageWorks, P.O. Box 14766, Lexington, KY 40512-4766 or faxed to 1-866-672-4780 by October 31, 2018, in order to enroll for the 2019 Plan Year.

For more information about the Tax$ave plans, see the *Premium Option Plan* and the *Flexible Spending Accounts* fliers available online.

Open Enrollment Website

The NJDPB Open Enrollment website is where State employees can find Open Enrollment information for both the State Health Benefits Program (SHBP) and Tax$ave in one easy-to-navigate location. Take a closer look at what the SHBP and Tax$ave have to offer – you might be able to save by switching to a SHBP plan with a lower premium share or save on taxes with a Tax$ave FSA. To learn more visit: ***www.nj.gov/oe***

Save Taxes on Health Care Contribution with the POP

Health care contributions or premiums 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 POP. This reduces the federal income, Medicare, and Social Security taxes you would otherwise pay on these amounts.

Enrollment in the POP is automatic every year for all eligible State employees — unlike the FSAs 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$ave 2018 members, eligible FSA expenses may be incurred until March 15, 2019, and claims must be filed no later than April 30, 2019.
- For Tax$ave 2019 members, eligible FSA expenses may be incurred between January 1, 2019, and March 15, 2020, and claims must be filed no later than April 30, 2020.

Important Notice: Under the IRS guidelines for Unreimbursed Medical and Dependent Care FSAs, 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$ave Program administered by TransitChek, part of WageWorks, Inc. See the *Commuter Tax$ave Program* Fact Sheet or contact TransitChek at 1-888-618-2435 for details.

Medical FSA Maximum Allowance $2,500 and Dependent Max $5,000

The maximum annual allowance that can be set aside for a Tax$ave Unreimbursed Medical FSA is $2,500 for the 2019 Plan Year. You can save federal income, Medicare, and Social Security taxes on up to $2,500 of unreimbursed medical expenses and up to $5,000 on dependent care expenses. Enrolling in a Tax$ave FSA makes sense when paying for doctor visits and prescription drug copayments, health plan deductibles, orthodontics, eyeglasses, Lasik surgery, many uncovered dental fees, or certain over-the-counter items (see section below). To enroll in either or both of the FSA plans visit: ***www.wageworks.com***

WageWorks® Health Care Card Available for FSA

Tax$ave 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 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 Inventory Information Approval System (IIAS) merchants (see section below about over-the-counter purchases).

The WageWorks® Health Care Card contains a "look back" feature to access unused 2018 Unreimbursed Medical FSA funds, before using funds contributed in the 2019 Plan Year, to reimburse eligible expense incurred prior to March 15, 2019.

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

You are required to obtain a prescription from your physician before any eligible over-the-counter (OTC) drug or medicine (except diabetic supplies) will qualify for reimbursement. This includes OTC items like: allergy drugs, pain relievers, cold and cough medicines, sleep aids, digestive aids, anti-gas medicines, 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. Similarly, OTC drugs and medicines also require a prescription if purchased using the WageWorks® Health Care Card.

Non-drug OTC items like eyeglasses, wrist splints, and bandages, as well as durable medical items such as crutches and canes can be reimbursed without a prescription.

Direct Deposit Available for FSA Payments

WageWorks offers direct deposit of reimbursement payments from your Medical or Dependent Care FSAs. 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.*

Open Enrollment

Begin Planning Now

The State of New Jersey's Tax$ave Open Enrollment is about to begin. Are you prepared?

Now is a great time to get ready by deciding which benefits to enroll in. While preparing, here are a few tips to help you:

- Your Tax$ave enrollment period for Plan Year 2019 is October 1, 2018, through October 31, 2018.
- **You must re-enroll to continue your benefits, even if you are not making any changes!**
- Enrollment will be available:
  - **Online at www.wageworks.com**
  - **Or by faxing or mailing** an Enrollment Form by October 31, 2018, to:

    Fax to: 1-866-672-4780

    Mail to: WageWorks
    Enrollment Processing
    P.O. Box 14766
    Lexington, KY 40512-4766
- Your Adult Child(ren) is eligible for health care coverage until the end of the year in which the child(ren) turns age 26. Coverage applies whether or not the adult child(ren) is married or a student.

The current plan year ends December 31, 2018.

A "grace period" of two months and 15 days (March 15, 2019) is available after this to incur eligible Unreimbursed Medical and Dependent Care FSA expenses. Unused funds remaining in your account cannot be refunded or rolled over to your 2019 Plan Year FSA.

You also have a run-out period, ending April 30, 2019, allowing you to file claims incurred anytime during the 2018 Plan Year. This includes claims incurred during the grace period mentioned above.

Example: You have $800 in your Plan Year 2018 Unreimbursed Medical Expense FSA on December 31, 2018, and put $1000 into your Plan Year 2019 Unreimbursed Medical Expense FSA. You purchase eyeglasses for $875 on January 2, 2019, using your WageWorks® Healthcare Card to pay. The $800 balance from 2018 will be reduced to zero and the 2019 balance will be reduced to $925.

Eligible over-the-counter (OTC) drugs and medicines require a prescription from your physician to qualify for reimbursement. OTC drugs and medicines are items like: digestive aids, allergy drugs, pain relief, cold and cough medicines, sleep aids, anti-gas medicines, baby rash creams, and insect bite treatments.

OTC drugs and medicines require a prescription to be purchased with the WageWorks Healthcare Card.

Non-drug and non-medicinal OTC items like eyeglasses, wrist splints, and band-aids, as well as durable medical items such as crutches and canes, may be reimbursed without a prescription and may be purchased using the WageWorks Healthcare Card.

For more information

visit the WageWorks website at www.wageworks.com or contact Customer Service at 1-855-428-0446.

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 under 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 — P.L. 2005, c. 375, 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 POP, 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 (IRC) 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 the *Health Benefits Coverage of Children Until Age 31 Under Chapter 375* Fact Sheet.

Civil Union/Domestic Partners — The IRS 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 POP, the civil union/domestic partner must be able to qualify as a tax dependent of the employee for federal tax filing purposes under IRC 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 Civil Unions and Domestic Partners can be found in the *Civil Unions and Domestic Partnerships* Fact Sheet.

FSA Has Minimal Impact on Social Security

Payments to the FSAs and premium payments under the POP 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.

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 an FSA 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!

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Tax$ave Open Enrollment News is published annually by the NJDPB to provide news and information to State employees regarding the New Jersey State Employees Tax Savings Program (Tax$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:
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