



PayPal Flexible Spending Account (FSA) Frequently Asked Questions

What is a FSA?

A FSA allows you to place money into your health care or dependent care account on a *pre-tax* basis to pay for eligible expenses during the calendar year. A FSA can help you save money by reducing your taxable income, but it's important to be careful when estimating your expenses. Unused money left in your account in excess of \$500 at the end of the plan year is forfeited due to the "use it or lose it" rule (more details below).

Why is the FSA valuable?

The average family spends more than \$2,000 each year in out-of-pocket health care expenses. Individuals enrolled in a FSA benefit by paying for these expenses with pre-tax dollars, which also results in a lower taxable income. This makes a FSA a good option for families looking to save money.

Is there more than one type of FSA?

There are two types of FSA accounts:

- *Health Care Spending Account*—The Health Care Spending Account can be used for eligible out-of-pocket health care expenses (medical, dental, or vision care).
- *Dependent Care Spending Account*—The Dependent Care Spending Account covers eligible dependent care expenses so that you (and your spouse, if married) can work or attend school.

You can enroll in both the Health Care and Dependent Care Spending Accounts. Keep in mind that you'll need to allocate your annual contributions for each account separately and cannot combine the funds from one account with the other to pay for eligible expenses.

What is the annual maximum contribution I can make to our FSA?

- For 2015, the Health care FSA maximum election is \$2,500.
- For the Dependent care FSA account, the maximum is \$5,000 (If both you and your spouse are enrolling in a Dependent care FSA, the combined amount in both company plans cannot exceed \$5,000.) Also, your election may be reduced to comply with required annual testing for this plan.
- The minimum enrollment is \$25.

How do I get started?

If you decide to enroll in a health care or dependent care FSA, you choose an annual goal amount to contribute for the year. The 2016 goal amount you want to contribute is then divided into 26 equal amounts and that amount is then deducted from your paycheck each pay period before federal and, in most cases, state and local income taxes are withheld.

Example:

Your Annual Contribution	Number of 2016 Pay Periods	Per Pay Check Deduction
\$800	26	\$ 30.77

How do I determine my contribution?

A FSA estimator is available on Your Benefits Resource (YBR) during Annual Enrollment to help you estimate your expenses. Another way to determine your *health care FSA* contribution is to talk to your medical, dental, and vision providers. Each can help you to budget your 2016 expenses. Also, if you have recurring medical, dental or vision expenses, you likely already know how much you'll need to contribute to cover those expenses.

The same formula can be used for *dependent care FSA* expenses as well. If you know you'll have expenses that are eligible, talk to your dependent care providers to budget the contribution that is right for you.

What is the cut-off date for using the money in my 2015 FSA?

Because of the \$500 automatic carryover for the health care FSA, you'll be able to use your carryover funds for reimbursement of eligible expenses incurred any time throughout 2016 and beyond. This carryover is not available for the dependent care FSA.

ATTENTION: Participants who enroll in the **Blue Shield of California Consumer Directed Health Plan (CDHP) with Health Savings Account (HSA)**

Your Health Care Flexible Spending Account will be limited to reimbursement of dental and vision expenses only. Because you are already receiving a tax break on medical expenses through your HSA, you **can't** submit these same medical expenses to your Healthcare Flexible Spending Account for reimbursement.

What is the deadline to submit all my 2016 FSA claims?

Participants have until April 30, 2017 to submit eligible 2016 claims for reimbursement from any remaining 2016 health care or dependent care FSA contributions.

Will I receive a refund if I don't use all the money in my FSA by the end of the calendar year?

No. This is why it's important to understand what expenses are eligible and to conservatively estimate your anticipated eligible health care and dependent care FSA expenses for the coming year. During annual enrollment, FSA estimators are available on Your Benefits Resource (YBR) to help you in the decision-making process.

Must I enroll in the FSA during annual enrollment to participate for 2016?

Yes. If you don't enroll during annual enrollment, you will not have the opportunity to take advantage of the program unless you experience a qualifying life event during the year and the event is deemed eligible for updating your FSA account(s).

Can I quit the FSA or change my election at any time?

Your contribution can't be changed (increased or decreased) during the year unless you experience a qualifying life event (e.g., the birth of a child) and notify *Your Benefits Resource* (YBR) of the change within 31 days of the event. The YBR team can answer your questions

about qualifying life events and if they are applicable to your desired FSA changes.

Whose expenses are eligible for reimbursement?

- *Health Care Spending Account*—you may submit eligible expenses incurred by you, your spouse, your children, and any other person who can be claimed as a qualified dependent on your federal income tax.
- *Dependent Care Spending Account*—dependents for whom you may submit expenses include your children under age 13 and any other person, regardless of age, who is incapable of caring for him or herself, and can be claimed as a qualified dependent on your federal income tax.

What expenses are eligible for reimbursement?

For a **health care FSA**, deductibles, coinsurance amounts, copays, and other expenses that are described in *IRS Publication 502—Medical and Dental Expenses*, are considered eligible or a qualified expenses. See <http://www.irs.gov/pub/irs-pdf/p502.pdf> for a current complete list. Premiums for health and other insurance aren't eligible expenses.

For a **dependent care FSA**, expenses must be incurred for the care of eligible members of your family. See the complete list in *IRS Publication 503—Child and Dependent Care Expenses*. See <http://www.irs.gov/pub/irs-pdf/p503.pdf>. All expenses must take place within the benefit plan year.

How do I access my FSA funds?

This is a really good and convenient aspect of our FSA. You've got two choices. First, if you enroll in the health care FSA, you'll receive a debit card* in the mail. You can use this card to pay for eligible expenses anywhere the debit card is accepted.

Or, you can pay for covered items and then submit for those expenses for reimbursement. In either case, keep your receipts! You'll need to send your receipts in with your reimbursement request or you could be asked to verify the purchases made with your debit card.



Debit cards will be mailed in mid-December to participants who choose to enroll in the Health Care Spending Account for 2016.*

**Debit card available to those participants with an annual election of \$100 or more. Your card is good for three years from date of issue. If you are enrolled in the CDHP w/HSA medical plan, eligible expenses are limited to dental and vision, and you will NOT receive a debit card if enrolled in the FSA plan.*

What is the maximum reimbursement amount from a health and/or dependent care FSA?

The entire health care FSA annual election amount may be available at any time throughout the plan year. The dependent care FSA balance accumulates throughout the year. The annual dependent care FSA amount is only available as funds are deposited and available in the account.

Health and/or dependent care FSA balances are always reduced by any reimbursements made.

I'm not sure whether to enroll in a Dependent Care FSA or claim the dependent care tax credit on my federal income tax. Which will help me save more on taxes?

It depends on your personal situation. Based on tax law changes, if your family income is above \$15,000, you're probably better off contributing to a dependent care FSA rather than claiming the dependent care tax credit. PayPal is unable to offer you tax advice because we are not experts in that area. We recommend that you consult a tax advisor to help determine which option is best for you.

I've enrolled in the dependent care FSA in the past and not been allowed to contribute the full \$5,000. Why is that?

Under federal tax law, PayPal's FSA programs must pass certain nondiscrimination tests each year. These tests are designed to ensure that highly compensated or key employees/participants do not receive disproportionately greater benefits. If necessary, the maximum participant contribution may be reduced mid-year to comply with federal law. If you think you'll fall into that category, and your spouse also has a dependent care FSA available, you might want to consider splitting the maximum between the plans.

What if I have more questions that aren't listed here?

Please contact our FSA eligibility and enrollment administrator, AonHewitt Your Benefits Resources (YBR) and connect with the FSA administrator, Your Spending Account (YSA). YBR and YSA can be reached at 1-844-474-6641.