

# TAXSAVER PLAN

*"Your Satisfaction Is Our Success"*

## WHAT YOU NEED TO KNOW...

### LEGISLATIVE UPDATES:

Recently, we sent you information to alert you that Congress is seriously considering a number of options to fund health care reform which would significantly curtail (or even eliminate) the employer exclusion for health care, flexible spending accounts (FSAs), health reimbursement arrangements (HRAs) and the exclusion for over-the-counter (OTC) medical items.

Taxsaver Plan belongs to an organization called ECFC that lobbies Congress on behalf of employer benefit plans. We have received an update from their recent efforts that we wanted to share with you in this edition of our newsletter.

- The Senate Finance Committee is seriously considering an overall cap on the employer exclusion for health care. Although specific details are not available, an overall cap would adversely impact flex and individual account based plans.
- Key Senate offices have indicated that it is not their intent to eliminate FSAs and HRAs. However, an overall cap on employer health care expenditures threatens the very existence of individual account based plans because most, if not all, of the exclusion would be taken up by the primary health coverage.

This week will be a busy week in The House for Health Care. We will keep you posted as we hear more from Washington.

### IIAS AND FSA DEBIT CARDS JULY 1, 2009:

July 1, 2009 will mark the first day of the full IIAS requirements. Stores that sell prescriptions and FSA eligible over-the-counter items must have the IIAS in place to accept the FSA Debit Card. Stores that have not complied with IIAS standards will reject the cards at the point of sale as of July 1, 2009.

As we have previously explained, to be IAS compliant, the store must have implemented an Inventory Information Approval System through SIGIS or the store must have developed a system on their own (such as Walgreens) that will identify prescriptions and over-the-counter items as FSA eligible when the card is swiped. If this system is not in place, the participant will need to submit their FSA expenses for reimbursement.

During the month of June, Tax saver Plan will send communications to FSA Debit Card participants to alert them of this change. A full list of stores that are IAS compliant is available on our website at [www.taxsaverplan.com](http://www.taxsaverplan.com). Please note that because Walgreens has their own IRS approved system, they are not included on the list, but the card will continue to be accepted at all Walgreens stores across the country.

## NEW COBRA PREMIUM ASSISTANCE SUBSIDY Q&As POSTED TO IRS WEBSITE:

The IRS has posted new Q&As in regards to the COBRA Premium Assistance Subsidy. You may access this information at <http://www.irs.gov/newsroom/article/0,,id=204708,00.html>. Here are a few highlights.

==> Determining Involuntary Termination of Employment. Under one new Q&A, if an employer determines that an employee's termination was involuntary for purposes of claiming the payroll tax credit, the IRS will not challenge that determination so long as it is consistent with a "reasonable interpretation of the applicable statutory provisions and IRS guidance." The Q&A adds that the employer is required to maintain supporting documentation of its determination that the employee's termination of employment was involuntary, which should include an attestation by the employer of the employee's involuntary termination.

==> Clarifications With Respect to Military Service. One new Q&A clarifies that an involuntary termination of employment occurs when a member of a military Reserve unit or the National Guard is called to active duty, regardless of whether the civilian employer otherwise treats the employee's absence as a termination of employment or a leave of absence. Under a related Q&A, an AEI's eligibility for coverage by TRICARE does not end the individual's period of premium subsidy.

==> Treatment of COBRA Premiums Paid From an HRA. Another Q&A makes clear that payment of an AEI's 35% share of the COBRA premiums on a pre-tax basis from an HRA will be treated as paid by the employer (since HRAs are funded exclusively by the employer). Thus, the individual will not be treated as having paid the required 35% of the COBRA premium and, consequently, no premium subsidy will be available to the employer.

==> Claiming Payroll Tax Credit with More Than One Employer. The Q&As also address the mechanics of claiming the payroll tax credit under plans (other than multiemployer plans) that cover employees of (1) two or more unrelated employers, or (2) two or more employers in a single controlled group. The IRS explains that in these instances, the entity entitled to the payroll tax credit is the employer of the employee who was involuntarily terminated. Thus, according to the IRS, the tax credit under such plans

should be allocated among the former employers based on which employers terminated the employees.

## NEW TAXSAVER PLAN EMPLOYEES:

We would like to take a moment to introduce you to three new Tax saver Plan employees that have been added to the Compliance Department. In an effort to support Work-Life balance for our employees, we have decided to decrease the number of clients each Compliance Administrator works with. In addition to Darlene, Rachel and Jennifer, we have added Jennifer Reid, Dory DeSart and Amy Bush to the Department.

Jennifer Reid and Amy Bush have several years of experience with another FSA/COBRA administrator. Both have taken the past two years off to spend time with their family and were ready to return to the industry. Jennifer Reid will perform the role of Compliance Team Lead. Amy Bush will perform the role of Compliance Administrator, replacing John Nash, who has moved on to perform another role within our company.

Dory DeSart has worked for Tax saver Plan as a claims administrator for the past year and half and was promoted to the position of Compliance Coordinator.

As always, we are here to answer your questions.

Charles Zelazny, President  
Kelsey Horne, Vice President  
Marsha Hooper, COO