



Benefits Briefing

[Return to Tri-Star Web Site](#)

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Editor's Note

In an effort to keep you informed of regulation issues and new developments, we will be sending quarterly issues of our newsletter, Benefits Briefing. If there are HR contacts at your company who would benefit from this, please give us their names and email addresses, and we will add them to the distribution list.

in this issue....

- [Updated IRS Publications](#)
- [New Dependent Definition](#)
- [eFile Now Available](#)
- [Season's Greetings](#)
- [How To Contact Us](#)

Updated IRS Publications

Updated IRS Publications

The IRS has recently published updated 2004 versions of several publications. Those of particular interest to employers and employees with Flex Plans include:

IRS Publication 502 Medical and Dental Expenses

IRS Publication 503 Child and Dependent Care Expenses

IRS Publication 969 Health Savings Accounts and Other Tax-Favored Health Plans

Publication 969 includes information about MSAs (Medical Savings Accounts), HSAs (Health Savings Accounts), Health FSAs (Flexible Spending Accounts), and HRAs (Health Reimbursement Arrangements). This is the first time the IRS has included information about all of these plans in one publication. It includes a summary of the qualifying expenses available under each account as well as ineligible expenses from each. It also includes a discussion of advantages and limitations of each type of plan. We think you will find this publication very informative.

All three of the publications may be accessed from our web site at:

http://www.tri-starsystems.com/Download_Main.htm

[Back to Top](#)

New Dependent Definition

New Dependent Definition Affecting Benefit Plan Taxability

In October, Congress enacted the Working Families Tax Relief Act of 2004 (WFTRA) and the IRS recently published Notice 2004-79, which provides guidance regarding the effect of WFTRA. WFTRA changed the definition of dependent under Internal Revenue Code Section 152, effective January 1, 2005.

It appears that these changes will have relatively little effect on Flexible Benefit Plans. In IRS Notice 2004-79, they commented that "the intent of Congress was not to change the definition of dependent for purposes of employer-provided health plans." IRS Notice 2004-79 provides that "an employee may exclude from gross income the value of employer-provided coverage for an individual who meets the definition of a qualifying relative except that the individual's gross income equals or exceeds the exemption amount." (A copy of the Notice is available at <http://www.irs.gov/pub/irs-drop/n-04-79.pdf>).

The most significant changes affecting Flexible Benefit Plans under the new rules are:

A child under age 19 (24 if a full time student) is deemed to be the dependent of the person with whom the

child has the same principal place of abode for more than half the year without regard to whether that person provides more than half of the support for the child. This is a change for parents who provide more than one half of the support for a child, but with whom the child does not reside.

Two minor changes to Dependent Care Reimbursement Accounts include the elimination of the "head of household" requirement, which will now allow a working parent who does not maintain a household (possibly living with his or her own parents) to participate, and stating that a disabled dependent with income over the Section 151 limit (currently \$3,100) will no longer qualify for tax free reimbursement.

Plan Sponsors should review their plan documents and procedures, and of course discuss the new rules with their attorneys and consultants. The IRS has indicated that certification from the employee that the enrolled dependent is a "dependent" under the Code for health plan purposes is sufficient so long as the plan sponsor/administrator has no reason to doubt that certification.

[Back to Top](#)

eFile Now Available

We have been talking about and anticipating the introduction of a new service called **eFile**. **eFile** allows a participant in a Health Care or Dependent Care Spending Account to log in to our secure web site and **eFile** their claims on-line. The advantages are many, but the primary advantage is the time it takes for us to approve **eFiled** claims verses claims that have been mailed in or faxed in.

eFile allows the plan participant to enter claims on-line, print a fax transmittal sheet, and then fax their receipts to a "special" toll free tax number. Those claims come directly to the desktop of a claims examiner who will review the claim within hours instead of days.

The system is intuitive and can be used without instructions but a PDF instruction document, with screen shots, is available on our web site at www.tri-starsystems.com. This web site is also where the plan participant would log in to **eFile** claims. They can also access all of their real time account information on the same site.

Give it a try. Encourage your employees to use it also. We think you will be very happy with the ease of use and with the speed at which **eFiled** claims will be adjudicated.

[Back to Top](#)

Season's Greetings

We would like to extend to you our most heartfelt wishes that you have a wonderful holiday season with family and friends and a very healthy and prosperous New Year.

[Back to Top](#)

Contact Us

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[Back to Top](#)

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