



April 28, 2015

Dear FSA Plan Participant:

We would like to update you on an important change regarding Flexible Spending Account (FSA) debit card transactions. The IRS now requires employers to tax an undocumented debit card transactions, if documentation when requested, is not received within 150 days of the request.

In order to keep your FSA in compliance with IRS guidance, the IRS now requires implementation of a new process to help correct any improper payments or debit card transactions. This new IRS process will require employees to have a deadline for supplying the proper documentation for transactions that remain unsubstantiated after our initial requests have been issued. Employees must supply documentation for transactions within 150 days of the end of the plan year in which the transaction occurred or within 150 days after the debit card has been closed. Without substantiating documentation, the transaction will be deemed as undocumented and unrecoverable, and as an employer we will be required to request repayment of these amounts from employees or report them as wages on your Form W-2.

Upon receipt of a documentation request, please do not hesitate to contact PacificSource Administrators customer service at 800-422-7038 – they are happy to assist you.