

### About Mesirow Financial

Mesirow Financial is a diversified financial services firm headquartered in Chicago. Founded in 1937, we are an independent employee-owned firm with nearly \$30 billion in assets under management, advisory and custody, and more than 1,100 employees in locations across the country and in Puerto Rico. With expertise in Investment Management, Investment Services, Insurance Services, Investment Banking, Consulting and Real Estate, Mesirow Financial has consistently met the financial needs of investing institutions, public sector entities, corporations and individuals. For the fiscal year ended March 31, 2006, the firm posted revenues of \$364 million and had \$180 million in capital. For more information about Mesirow Financial, visit our Web site at [www.mesirowfinancial.com](http://www.mesirowfinancial.com).



321 North Clark Street  
Chicago, Illinois 60610  
312-595-6200

610 Central Avenue, Suite 200  
Highland Park, Illinois 60035  
847-681-2300

One Oakbrook Terrace  
Oakbrook Terrace, Illinois 60181  
630-705-2000

1500 S. Lakeside Drive  
Bannockburn, IL 60015  
847-444-1060

[www.mesirowfinancial.com](http://www.mesirowfinancial.com)

Services offered through  
Mesirow Insurance Services, Inc.

## NEW FSA DEBIT CARD LIMITATIONS

In August, 2006, we published a Legislative Update describing new IRS healthcare flexible spending account (FSA) debit card guidance. That newsletter contained information about the Inventory Information Approval System (IIAS), which is used to substantiate healthcare FSA debit card ("FSA debit card") transactions at the point of purchase. Some time has passed since that Update was released, so we want to remind you of the IRS-imposed new limitations on the use of FSA debit cards which become effective at the beginning of the coming year.

**Effective January 1, 2007, merchants that do not have the IIAS in place cannot accept FSA debit cards, even for the purchase of eligible items.**

The new rule prohibits certain merchants from accepting FSA debit cards as payment for eligible expenses. FSA debit cards may **only** be used where merchants have an IIAS in place. Only if the merchant uses a merchant category code (referred to as the MCC code, which is set by MasterCard to define the type of merchant such as pharmacy, vision, dental, discount retailer, etc.), will they be able to accept payment by FSA debit card for eligible expenses (such as aspirin or other over-the-counter medications). Many supermarkets and discount stores such as Wal-Mart, Costco and Target **do not** currently have an IIAS in place, but may be working to add the system by 01/01/2007. Some merchants may have the system specifically in their pharmacy department. Employees should check with their merchant or pharmacy before attempting to purchase items with their FSA debit cards.

Examples of stores using the pharmacy MCC code and where the card can be used include:

Walgreens	CVS Pharmacy	Osco Drug
Rite-Aid	Longs Drugs	Eckard Drug
Pharmacy Plus	Drugstore.com	AdvanceRx.com

Because this change has potential impact on many employees, it is a good idea to communicate the impending debit card limitation to your employees as soon as possible to avoid any confusion when the January 1, 2007 change becomes effective.

*This article is intended as an overview and should not be viewed as legal advice. The information herein has been obtained from sources believed to be reliable but its accuracy and completeness cannot be guaranteed. Please consult with your attorney if you have any questions regarding the legislation.*