Glossary – F

<u>Federal Trade Commission Act</u> – This Act, codified at 15 USC § 15, prohibits "unfair methods of competition and unfair or deceptive acts" in commerce. The provision applies to unfair methods of competition involving commerce with foreign nations (other than import commerce) only to the extent that such "unfair" conduct has a "direct, substantial, and reasonably foreseeable effect" on the foreign commerce in question. Instances of infractions of this Act, with respect to health care plans, are set forth in Chapter 5.

<u>Federal Trade Commission</u> – This is the Federal agency designated to administer the relevant trade and commerce laws and regulations.

<u>Five-Percent Shareholder</u> – Such person is one who, in the preceding or current plan year, owns more than 5% of the voting power or value of all classes of stock of the employer. Note: an individual who owns *exactly* 5% of the shares would not qualify under this definition. An individual's stock ownership is determined without attribution. Therefore, IRC §318 attribution rules will not apply in defining a more-than-5% shareholder. However, there is attribution via the spouse or dependent rule.

<u>Flexible Spending Account (FSA)</u> – An FSA provides a tax break by granting employees a choice between tax-free benefits and cash. It is commonly referred to as a Cafeteria Plan or Section 125 plan. It provides the vehicle for employees to reduce their pay for insurance premiums, out-of-pocket medical and dental expenses, and dependent care expenses without paying Federal, State, or FICA taxes, saving at least 30% in taxes on their election.