

# **Flexible Spending Accounts**

## **DEPENDENT CARE PLAN**

This Plan allows you to pay Child Care, Elderly Care, and/or Handicapped Care expenses while you are gainfully employed. In order for these expenses to qualify for this favorable tax treatment, certain requirements must be met:

The dependent for whom the expenses are incurred must be under the age of 13, or physically or mentally unable to care for themselves. Elderly residents must reside in your home.

The dependent care may take place inside or outside your home. However, the care cannot be provided by a spouse or someone under 19, you claim as a dependent on your income taxes.

If you choose a day care center, the facility must meet any state licensing or other requirements.

Schooling costs are reimbursable for children under certain restrictive conditions.

Your expenses cannot exceed your annual income, or your spouse's, whichever is lower.

Covered dependent care expenses reduce eligibility for and may not be applied toward the Federal Income Tax Credit for Dependent Care Expenses.

Both you and your spouse must be working, or attending school as a full time student.

The ADVANTAGE of using the Dep Care Plan over filing for income taxes is, the Plan allows you to pre-tax expenses up to \$5,000 yearly regardless of the number of children you have in day care. When filing Income Taxes, you may only use a credit of \$2,400 for one child or \$4,800 for two or more children. Some situations may merit filing these expenses with income taxes at year end. The attached worksheet will help you determine which would work best for you and your family. Generally, if the joint income is over \$25,000, the Dep Care Plan will work for you.

## **MEDICAL CARE REIMBURSABLE ACCOUNT**

This option allows you to PRE-TAX the amount necessary to pay for medical, dental, optical expenses that normally are not covered by your Medical/Health Insurance Plans. Eligible expenses are listed on the attached schedule.

This permits you to use Before-Tax dollars to pay for benefits. Expenses that can be reimbursed from this account are those which the Internal Revenue Service Accepts as

Tax-deductible and for which you are not reimbursed under Medicare or by Federal, State or administrative law, or by any medical or dental plan.

## **BENEFIT ELECTION**

Prior to the effective plan date, each participant in the plan must elect which benefit portions of the plan he or she will participate in, and the dollar amount of payroll deductions for each pay period during the Plan Year.

Once the election has been made and payments into the accounts are started, they cannot be “Revoked” (stopped) or changed at any time during the Plan Year, with the exceptions described below:

A major change in family status, e.g., marriage, divorce, death of a spouse or child, birth or adoption of a child, or termination of employment for the participant or the spouse.

## **USE IT OR LOSE IT RULE**

When a participant elects to have a certain amount of earnings withheld before taxes are calculated and to have those earnings pay for benefits that are considered nontaxable under IRS rules, the amount withheld for the Plan Year must be used to pay for benefit expenses that are incurred in that year, any unused funds in the account cannot be carried over to the next year or given back to the participant in cash, year-end bonus, or adjusted salary increase.

In order for the plan to qualify for tax advantages, there must be an “element of risk” on the part of the participant according to the IRS rules, and the “Use it or Lose it” rule provides that risk. Therefore it is essential that the full amount be used in the current plan year.

**TO GUARD AGAINST THIS, YOU AS THE PARTICIPANT SHOULD PRE-TAX ONLY THOSE EXPENSES THAT YOU “PLAN” OR “KNOW” YOU ARE GOING TO SPEND IN THE COMING YEAR. BE CONSERVATIVE IN YOUR ESTIMATE.**

Attached to this letter is a WORKSHEET for your action and information. The information you use for this worksheet will be used to place on the Benefit Election form when you make your final election. Keep the completed worksheet for future use.

# **HOW TO USE YOUR FLEXIBLE SPENDING ACCOUNTS**

## **(Medical and Dependent Care)**

### **Q. HOW DO FLEXIBLE SPENDING ACCOUNTS WORK?**

A. Each pay period, the amount that you indicated will automatically be deducted from your salary and put into a flexible reimbursement account. When you request reimbursement for your health care or dependent care expenses, you will receive a check for the eligible expenses. The amount of the check will be deducted from your reimbursement account.

### **Q. HOW DO I REQUEST REIMBURSEMENT?**

A. In order to receive reimbursement from your Flexible Spending Accounts, you must fill out a Reimbursement Request Form, itemize all health care or dependent care services for which you are entitled to be reimbursed, attach any supporting documentation and send this to the CORE Administrators.

### **Q. WHERE DO I GET “REQUEST FOR REIMBURSEMENT” FORMS?**

A. Forms are available online, from the Benefits Office, or from CORE.

### **Q. HOW OFTEN MAY I SUBMIT A REQUEST FOR REIMBURSEMENT?**

A. Medical claims for reimbursement may be submitted as often as you like and are processed as they are received. Dependent care reimbursements work the same by submitting a claim. As with the medical reimbursement, claims will be paid as they are received.

### **Q. WHAT IF I DON'T HAVE A RECEIPT TO SUPPORT MY REQUEST FOR REIMBURSEMENT FOR CHILD CARE?**

A. Normally receipts are provided if requested, however, if you are not given a receipt, you may send a statement from your day care certifying the charges you incurred.

### **Q. HOW DO I KNOW HOW MUCH MONEY IS IN MY MEDICAL REIMBURSEMENT OR DEPENDENT CARE ACCOUNT?**

A. You will receive a yearly statement showing credits and payments. In addition, you will find a balance on your reimbursement check stub, reflecting the balance at the time of your reimbursement. As the balance in your account may fluctuate with your pay periods, you may also contact the CORE Administrators at (478)741-3521.

**Q. WHAT IF THERE IS NOT ENOUGH MONEY IN MY ACCOUNT TO COVER THE EXPENSES FOR WHICH I REQUEST REIMBURSEMENT?**

A. Daycare reimbursement will be made only for the amount in your Daycare Reimbursement account. Medical Reimbursements will be made in full up to the total you elected to have deducted for the plan year. (Example: If you submit a claim for \$100.00 and have only contributed only \$50.00 so far, the full \$100.00 will be paid (provided you are still a current employee and your Dep Care claims have not exceeded the amount you are setting aside for the plan year.)

**Q. HOW WILL I RECEIVE THE CHECKS?**

A. The reimbursement checks are prepared by CORE Administration and will be mailed to you at your home.

**Q. HOW LONG WILL IT TAKE TO BE REIMBURSED?**

A. Checks are mailed out regularly and should be received by you within a three to five day period after your claim was submitted for processing.

**Q. ARE THERE ANY RESTRICTIONS AS TO WHAT TYPE OF EXPENSES I CAN CLAIM FOR REIMBURSEMENT?**

A. Yes. A list of the eligible reimbursement expenses is attached. The important thing to remember is that you cannot be reimbursed from your health care or dependent care account for any expense for which you have already been reimbursed by another source. For example: If you have filed a claim for a particular medical expense under group medical coverage, you can only request reimbursement for the unpaid amount.

**Q. WHAT IF I RUN OUT OF MONEY IN MY FLEXIBLE SPENDING ACCOUNT BEFORE THE END OF THE YEAR AND I HAVE ADDITIONAL HEALTH CARE OR DEPENDENT CARE EXPENSES?**

A. You cannot receive reimbursement for more than you elected to have credited to your accounts for the year.

**Q. WHAT HAPPENS IF, AT THE END OF THE YEAR, THERE IS NOT MONEY IN MY HEALTH CARE REIMBURSEMENT ACCOUNT, AND I HAVE UNEXPECTED HEALTH EXPENSES? CAN I USE THE FUNDS IN MY DEPENDENT CARE REIMBURSEMENT ACCOUNT TO GET REIMBURSED FOR A MEDICAL EXPENSE?**

A. No. Crossing over between accounts is not permitted under Federal Regulations.

**Q. WHAT IF I HAVE MONEY LEFT OVER IN MY FLEXIBLE ACCOUNT AT THE END OF THE YEAR?**

- A. Any remaining funds in your accounts at the end of the year will revert to your employer. That is why it is so important to estimate your health care and dependent care expenses accurately and conservatively. If funds are left in the accounts, this does not mean that you have lost money by participating in the plan. You have still realized savings but have not used all the funds available to you.

**NOTE:** CORE Administrative Services is available to answer any other questions you may have. Feel free to call for assistance at (478)741-3521.

# LIST OF REIMBURSABLE MEDICAL EXPENSES (IRC SECTION 213)

## **COST OF:**

Artificial limbs & teeth	Drugs-Prescriptions, *certain over-the-counter meds,
Automobile modifications for physically handicapped	medical supplies (Dietary Supplements are NOT)
Birth control pills (with limitations)	Elastic hose, medically prescribed
Braille books and magazines	Eye glasses, contacts, laser eye surgery
Capital expenses (i.e. ramps, door widening, etc.)	Hearing aids
Crutches, wheelchairs	Oxygen & equipment
	Telephone, cost & repair for hearing impaired
	Television, cost & repair for hearing impaired
	Weight loss (*when necessary to treat disease/illness)

## **FEES\*:**

Acupuncture	Lead-paint removal	Psychoanalyst
Air conditioning to alleviate illness	Lip-reading lessons, for hearing impaired	Psychologist
Alcoholism	Lodging for medical care	Psychotherapy
Allergy shots	Mentally handicapped, special home for	Sanitarium
Ambulance hire	Midwife	Sex therapist
Anesthetist	Nurse	Schooling for mentally handicapped
Blood donor (expense)	Nursing home	Schooling for physically handicapped
Chiropodist	Obstetrician	Specialist
Chiropractor	Occultist	Sterilization
Christian Science Practitioners	Ophthalmologist	Surgeon
Clinic	Optician	Surgery
Co-pays	Optometrist	Termination of pregnancy
Dentist	Oral surgery	Therapy
Diagnosis	Orthodontia	Transplants
Diathermy	Osteopath	Transportation for medical care
Doctor	Pattering exercises for physically handicapped	Trips for out-of-town medical care
Drug addiction	Pediatrician	X-rays
Examination, physical	Physiotherapist	<i>*This is an abbreviated list.</i>
Eye examination	Podiatrist	<i>Other fees may apply.</i>
Guide dog	Practical Nurse	
Gynecologist	Psychiatric care	
Healing services	Psychiatrist	
Hospital services	Psychoanalysis	
Laboratory fees		