

## FLEXIBLE SPENDING ACCOUNT ENROLLMENT FAQs

### Employee Reimbursement Account Programs for Unreimbursed Healthcare, Dependent Day Care, Adoption, Parking at Work and Commuter Transit Expenses

*The following provides a general overview of how Flexible Savings Accounts (FSA) work. It is not intended to be a comprehensive description of the laws governing the operation of FSAs.*

#### What is a Flexible Spending Account?

A Flexible Spending Account (FSA) is a benefit provided by your employer that lets you set aside a certain amount of your paycheck into an account before paying income taxes. Then, during the year you can be directly reimbursed from your account for qualified expenses.

#### What types of expenses are qualified for reimbursement?

Expenses related to the following:

- ❑ **Healthcare Expenses:** for reimbursement of medical, dental and vision expenses not paid or reimbursed through health insurance including deductibles, copays, services not covered by insurance.
- ❑ **Dependent Day Care Expenses:** for reimbursement of child and adult care expenses.
- ❑ **Adoption Assistance Expenses:** for reimbursement of home study, applications, agency and legal fees, court costs, medical / counseling services, travel expenses and other expenses directly related to the legal adoption of an eligible child.
- ❑ **Parking at Work Expenses:** for reimbursement of parking fees incurred at or near your place of employment.
- ❑ **Commuter Transit:** for reimbursement of transit passes (example, bus passes and tokens) to and from your place of employment.

#### Who is eligible for enrollment in these programs?

All permanent, full-time employees of Wayne County and the Wayne County Courts are eligible for enrollment in any of the available plans. You are not required to be enrolled in an employer-sponsored health plan in order to participate in any of these programs.

**Exception:** You may not enroll in an FSA plan for uninsured healthcare expenses if you are currently contributing or will be contributing to a Health Savings Account (HSA) plan.

#### What is the plan year for these programs?

The plan year is a 12-month period determined by the employer. The County's current plan year is based on a calendar year and will end December 31, 2014. The 2015 plan year will begin on January 1, 2015.

Wayne County's plan includes an **extension period**. The extension period allows for reimbursement of claims incurred within the first 2 ½ months of the next plan year using any funds remaining from the previous plan year. Thus, claims incurred during the period beginning January 1, 2015 through

March 15, 2015 and submitted by March 31, 2015 may be reimbursed with any unused funds remaining in your account from the previous plan year (January - December 2014).

#### How much can I contribute to any of the FSA programs in which I elect to enroll?

The contributions allowed for FSA programs are regulated by law and may change annually: The limits for the 2015 plan year are as follows:

- ❑ **Healthcare Expenses:** \$2,500
- ❑ **Dependent Day Care:** \$5,000 calendar year max.
- ❑ **Parking at Work:** \$250 per month
- ❑ **Commuter Transit to Work:** \$130 per month

#### Why should I participate in the Healthcare Expense FSA if I already have health insurance?

This account is used to pay for expenses that you are required to pay but are not covered or reimbursed by through your medical, prescription drug, dental or vision plan or any other insurance plan you may be enrolled in – your out-of-pocket expenses. For example, annual deductibles, copays for prescriptions, amounts over dental limits, lasik eye surgery, prescription eye glasses, over-the-counter medications, etc.

#### If I set aside part of my pay, won't I make less money?

No. Your net take home pay will increase by the amount of taxes you did not pay on the amount deferred into an FSA plan.

#### When would I contribute to my FSA and how often?

You contribute to one or more of the FSA accounts through payroll deduction on a bi-weekly basis over the year (26 pay periods). Your deduction amount is based on the amount you determine you need when you enroll.

#### Can I change my contributions during the year?

Only if you experience a qualifying life change event, such as a marriage, birth, adoption, death of a spouse or change in your or your spouse's employment status.

#### When can I start using my FSA dollars?

You can use your FSA dollars for any expenses incurred during the plan year for which you are enrolled.

## FLEXIBLE SPENDING ACCOUNT ENROLLMENT FAQs continued

### Do I have to wait for the money to be deposited in my account in order to make a claim for reimbursement?

Reimbursement for medical expenses under the Health Care Expense program can be made immediately up to the total amount you elected to defer regardless of the amount of funds in the account at the time the request is made.

Reimbursements for any of the other plans will not be made until there are enough funds deferred into the account to cover the amount requested for reimbursement.

**Note:** When enrolling in a dependent care account, plan for the lag between payment of your daycare expenses and reimbursement of the expense.

### What if I have FSA dollars left in my account at year-end?

Any monies left in the account after the end of the plan year and the 2 ½ month extension period will be forfeited.

**Note:** Make sure you plan carefully when deciding how much money to contribute to your account.

### Why should I elect an FSA?

Tax benefits:

- ☐ FSA contributions are excluded from federal income tax
- ☐ Withdrawals for eligible expenses are exempt from federal income tax

**Note:** If you claim an expense for reimbursement through an FSA account you cannot claim the same expense as a deduction or credit on your income tax return.

### What expenses are eligible for reimbursement from an FSA?

FSA dollars may be used for qualified medical expenses incurred by the account holder and his or her spouse and dependents. Qualified medical expenses are expenses for medical care and are outlined within IRS Section 213(d).

In summary, the IRS Section 213(d) states that *"the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness."*

### What expenses are NOT eligible for reimbursement under an FSA?

- Health insurance premiums;
- Long-term care coverage or expenses;
- Expenses covered by another insurance plan;
- Expenses incurred prior to the date the FSA was established; or
- Expenses not considered qualified medical expenses.

### What happens when FSA funds run out?

You may be financially responsible for any eligible expenses.

### What if I currently take the dependent care credit on my annual income tax return?

Whether to participate in the daycare portion of this plan depends on your income, filing status, number of dependents and annual daycare expenses. The amount you deposit in your Dependent Care Account reduces the amount, dollar for dollar, that you can claim as a credit on your tax return.

**Note:** In some cases, you may save more in taxes by using the Federal Tax Credit for dependent care expenses. You may want to talk with a tax professional, especially if your tax situation is special or complex.

### How do I get reimbursed for my expenses?

Once enrolled, you may submit a claim form along with receipts that clearly show an eligible expense or services was incurred. Claim forms may then be submitted to the administrator for the FSA programs, currently Employee Benefit Concepts (EBC). Debit cards will be issued to employees enrolled in a medical spending account **IF** the employee elects to have one issued.

### Could I use FSA dollars for non-eligible expenses?

Money withdrawn from an FSA to reimburse non-eligible medical expenses is taxable income to the account holder and is subject to a tax penalty of 10% in 2010 and 20% starting in 2011, unless you are over age 65, disabled, or upon the death of the account holder.

### What happens to my FSA dollars if I leave my employer or retire?

You will be eligible for reimbursement of expenses incurred prior to the date of your separation from County service if the request for reimbursement is submitted before the appropriate deadlines. Otherwise, monies in the account will be forfeited.

### Are there any negatives that I should know about?

Yes. Because you are not paying any social security tax on that portion of your income that has been set aside, your social security benefits may be slightly reduced. However, most tax advisors would tell you that the benefit of saving taxes now will be far greater than the potential loss of social security benefits when you retire.

**Talk to a tax professional to determine any potential impact to your social security benefits.**

## How Do I Enroll in an FSA?

To enroll in any of the FSA plans for the 2015 plan year, you must complete an **Employee Reimbursement Account Program Enrollment Form** and return it to the Benefit Administration Division **no later than Friday, December 5<sup>th</sup>**. If you enroll now, you may change / amend your 2015 plan election at a later date if your circumstances change, but no later than Friday, December 5<sup>th</sup>.

Forms are available on the web at <http://intranet.wc/> and <http://www.waynecounty.com/phr/1308.htm> or by contacting the Benefits Administration Division either by e-mail, phone or U.S. Mail.