

## **Flexible Spending Accounts**

### **Dependent Care Reimbursement**

If you will use day care for your children (under age 13) so you and your spouse can work and/or have an elder parent or grandparent that needs care so you or your spouse can work, the Dependent Care Reimbursement Account (DRCA) is for you!

#### **Expense Eligibility**

To be eligible for reimbursement, expenses must meet some rules established by the government for dependent child and elder care:

- The dependent cared for must be under age 13, or, if older, physically or mentally incapable of self-care.
- Day care must be necessary in order for you and (if you are married) your spouse to work. A spouse who is disabled or a full-time student is considered the same as a working spouse.
- The person cared for must be claimed as a dependent on your federal income tax return and must reside in your home at least eight hours per day.
- Payment for care cannot be made to anyone you claim as a dependent on your income tax return, to your spouse, or to your child under age 19.
- If care is provided by a center that cares for more than six individuals, it must be licensed.

#### **Dependent Care Tax Credit**

Although reimbursement accounts are a tax-effective way to pay for dependent care, some employees will save more by taking advantage of the federal tax credit allowed for these expenses.

Keep in mind that you cannot use a Dependent Care Reimbursement Account and the tax credit for the same expenses. Your tax credit will be reduced dollar-for-dollar by any amount you receive from a Dependent Care Reimbursement Account.

A tax advisor can tell you which method will save you more. In general, however, if your entire family's adjusted gross income is between \$17,200 and \$21,200, the tax credit may provide a greater tax savings.

#### **How the Account Works:**

The Dependent Care Reimbursement Account plan year runs January 1 through December 31 of the same year. If you elect coverage through the flexible spending account your contribution will be withheld from each paycheck on a tax-free basis.

- You estimate how much you think you will spend in the 12 months on eligible expenses
- Based on that estimate, you decide how much you want to contribute to the account.
- The amount you choose to contribute will go into the account tax-free
- You're reimbursed for those expenses with the tax-free dollars from the account

You should estimate your reimbursement account expenses as accurately as possible, staying on the conservative side.

This is because **the Internal Revenue Service (IRS) requires you to forfeit any dependent care deposits you do not use by December 31<sup>st</sup>**. You will have until **February 15<sup>th</sup>** to request reimbursement for those expenses. (Example: For the 2009 plan year, account can be used for expenses incurred between January 1, 2009 and December 31, 2009. Reimbursement requests can be submitted until February 15, 2010.)

## How Much You Can Deposit:

Making the best use of your reimbursement accounts requires careful planning. Estimating your out-of-pocket dependent care expenses for the plan year and will give you an idea of the expenses you can put through the account. Estimate the cost of care per week and the number of weeks of care to determine your total.

$$\begin{array}{rcccl} \$ & \underline{\hspace{2cm}} & \times & \$ & \underline{\hspace{2cm}} & = & \$ & \underline{\hspace{2cm}} \\ & \text{Cost/week} & & \text{\# of weeks} & & & \text{Dependent Care Expense} \end{array}$$

*\*To determine the payroll deduction amount, divide this total by 24 pays.*

Your reimbursement account decisions remain effective for the Plan Year.

You may increase or decrease your deposits in the account during the Plan year ONLY if you have a qualifying family event (i.e. marriage, divorce, birth, death or spouse losing or gaining employment). You must notify HR within 30 days of the event.

### **You may deposit a maximum of \$5,000 to your Dependent Care Reimbursement Account**

- *If you and your spouse file separate income tax returns, the most you can deposit into your Dependent Care Reimbursement Account is \$2,500 a year.*
- *If you are married, your Dependent Care Reimbursement Account deposits cannot be more than the income of the lower paid spouse.*

## How You are Reimbursed:

Meritain Health will process your reimbursement requests. Reimbursement request forms are available on the WCC benefit web page under Flexible Spending Account forms.

Requests received by Meritain by Monday morning will be processed by Thursday. Any requests received later than Monday will be processed the following week.

**You will be reimbursed for expenses up to the amount contributed to your account at the time your request is submitted.** If your reimbursement request is more than the amount available in your account, the remainder will be paid as additional funds are deposited.

Please follow these instructions when requesting reimbursement:

- Pay the bill/expense
- Obtain a copy of proof of payment ( receipt, cancelled check, etc.)
- Complete a Reimbursement Request Form and attach the proof of payment
- Mail or fax to Meritain Health

## Keeping Track of Your Account

By keeping track of your accounts, you can avoid forfeiture.

The following are available to check your account status:

- Quarterly statements
- Meritain Health web site
- Meritain Health 800 phone number (800.748.0003)
  - Customer service representative
  - Automated interactive voice response

## Examples of Eligible Expenses

### Health and Dependent Care Reimbursement Accounts

The following list, while not intended to be complete, illustrates some of the medically related expenses and dependent care expenses which are covered by the Flex Spending Accounts. Feel free to call Meritain Health (800.748.0003) for additional information or clarification.

Abortion	Nutrition counseling
Acupuncture	Nutritional supplements**
Alcoholism & Drug Abuse treatment	Obstetrical expenses
Ambulance	Orthodontia
Artificial limbs	Orthopedic shoes
Aspirin	Osteopaths
Braces	Over the counter drugs and medicines
Braille books and magazines	Oxygen
Child care expenses	Pap smears
Chiropractors	Podiatrists
Coinsurance payments	Pregnancy tests
Contact lens solution & cleaners	Prescription drugs*
Contraceptives (prescription and over the counter)	Psychiatric care
Crutches	Psychologist expenses
Deductible amounts	Radial keratotomy
Dental expenses*	Routine physicals and other non-diagnostic services or treatments
Dentures	Sales Tax
Dermatologists	Seeing-eye dog and its upkeep
Diagnostic expenses	Shipping & handling charges
Doctors' charges*	Smoking cessation programs
Eyeglasses and contact lenses, including examination fee	prescribed drugs designed to alleviate nicotine withdrawal
Handicapped persons, care and support	Special education for handicapped
Hearing devices and batteries	Surgical expenses
Herbal supplements**	Therapy treatments (physical, occupational, speech)
Home improvements motivated by medical considerations (e.g., ramps, plumbing)	TMJ-related expenses
Hospital bills	Transportation expenses for medical purposes
Infertility treatments	Tutoring for children with learning disabilities
Insulin	Vitamins**
Laboratory fees	Weight loss program**
Laser eye surgery	Well-baby care
Lamaze classes directly related to birth of baby for mother only	Wheelchairs
Licensed practical nurses	Wigs*
Mileage for medical purposes - (as determined by IRS)	X-rays
Nonprescription nicotine patches and gum**	Nutrition counseling
	Nutritional supplements**

*\*Unless strictly for cosmetic reasons*

*\*\*If prescribed by a physician as medically necessary for a specific condition*

### **Examples of Expenses NOT Eligible**

Burial expenses	Prescription drugs imported from foreign countries
Breast pumps - unless prescribed as medically necessary by a physician for a specific medical condition	Teeth bleaching or bonding
Cosmetic surgery procedures (unless necessary to eliminate a deformity related to a birth defect, a personal injury resulting from an accident or trauma, or a disfiguring disease.	Toiletries and cosmetic items over the counter
Ear piercing	Items you intended to claim as a credit for federal taxes
Health club dues	Overnight camp expenses
Illegal operations or treatments	Expenses for future dependent care services
Items paid or payable by insurance	Educational expenses for any child after the pre-school level
Marriage Counseling	Amounts paid for the care of a person in a nursing home or convalescent facility
Maternity Clothes	Amounts paid to your spouse, dependent, or child under the age of 19 for dependent care expenses
Nursing care for a normal, healthy baby	Cost of food, clothing, shelter, insurance, medical treatment or vacations of a qualifying dependent