

# NORTHWEST ALLEN COUNTY SCHOOLS

## SECTION 125

### FLEXIBLE BENEFITS PLAN

#### *A Summary of the Flexible Benefits Plan*

#### HOW YOUR PLAN FLEXIBLE BENEFITS PLAN WORKS

Flexible Benefit Plans allow you to direct a part of your pay, on a pre-tax basis, into special accounts that can be used throughout the year to pay for certain premiums, out-of-pocket medical, dental and vision expenses and/or dependent day care expenses. Because your amounts are deducted from your pay before federal and state income taxes are withheld, you pay less in taxes, and ultimately have more disposable income.



#### ***Premium Contributions***

Your required contribution, if any, for eligible employer offered insurance coverage will be deducted on a pre-tax basis unless you notify your employer otherwise in writing. Deducting the contribution before taxes instead of after taxes can save you up to 26% or even more. The rules of coverage and eligibility of any insurance coverage is governed by the specific plans and not by the Flexible Benefits Plan.

#### ***Unreimbursed Medical Expense Flexible Spending Account (HCFSA)***

Your Unreimbursed Medical Expense Account (HCFSA) may be used to pay for eligible medical, dental and vision expenses incurred for yourself, your spouse, your eligible dependents, and/or your adult children who have not reached age 27 before the end of the calendar year. Your employer establishes your maximum for each plan year, but the maximum cannot be more than the IRS allowable maximum (currently \$3,050). You may only be reimbursed for expenses incurred for services rendered during the plan year. All reimbursement requests must be submitted no later than the date shown in the Plan Specifications at the end of this Summary.

#### ***What expenses are reimbursable from your HCFSA***

For you to receive reimbursement from your HCFSA:

- expenses must be for a “qualifying individual”
- the expenses must not have been reimbursed by insurance or any other plan. Co-pays, deductibles and co-insurance that are the patient’s responsibility are allowed.
- expenses must be incurred during the Incurred Period shown in the Plan Specifications at the end of this Summary. The date you pay for the service doesn’t matter. It is measured by the date the service is performed.

- you must submit a properly completed reimbursement request with the proper form and documentation indicated on the reimbursement request form. An explanation of benefits (EOB) is acceptable and preferred.
- The IRS determines which expenses can be reimbursed by an HCFSA. Because there are many gray areas and the IRS doesn't publish an all-inclusive list, the plan utilizes the list at the following website: <https://www.fsafeds.com/explore/hcfsa/expenses>. This website reflects expenses determined by the IRS to be allowable for government plans. While the list is extensive and represents the most common types of expenses, it is not all-inclusive. Even though an item may be found in a list, it does not guarantee reimbursement. Any expenses that are listed as potentially eligible may require additional documentation, such as a letter or medical necessity, a prescription or an Explanation of Benefits, to be approved. Over-the-counter (OTC) products that require a prescription must include an adequate receipt and a copy of the label or packaging.
- reimbursement requests must be submitted no later than the date shown in the Plan Specifications at the end of this Summary.
- If you participate in a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) you are not eligible to participate in the HCFSA.
- you must sign the reimbursement request form agreeing that:
  - o the information you provided on the form is accurate
  - o you will not claim reimbursement from another source or other insurance
  - o if the expense is for a spouse or other dependent, they are a qualifying dependent

**Effective January 1, 2020, over the counter medications are no longer eligible to be reimbursed under health care Flexible Spending Accounts. Over the counter items such as pain medication, allergy medication, antacids and cold medicines without a written prescription from a doctor are now eligible. The IRS does not allow for the reimbursement of vitamins, other medications, health club memberships or other expenses for promoting general health.**

## ***Dependent Day Care Expense Account (DCFSA)***

Your Dependent Day Care Expense Account may be used to reimburse yourself for eligible dependent day care expenses incurred to allow you (and your spouse if you are married) to work, or for your spouse to look for work, go to school full-time, or who is incapable of self-care. Work may include actively looking for work. Volunteer work or volunteer work for a nominal salary does not qualify. You may allocate up to \$5,000 per tax year for reimbursement of dependent day care services (\$2,500 if you are married and file a separate tax return).

### ***Special Rules for Dependent Day Care Include:***

- You must have income from work during the year.
- You (and your spouse if you are married) must have the same principal place of abode with the dependent for more than half of the taxable year and the dependent must stay in your home at least 8 hours per day.

- You must have made payments for dependent day care to someone you could not claim as a dependent, and, if the person you made payments to is your child, he or she must have been age 19 or over by the end of the tax year.
- Child support payments and child care payments qualifying as alimony are not qualified expenses for reimbursement.
- Reimbursement requests must be submitted no later than the date shown in the Plan Specifications at the end of this Summary.

### ***Qualifying Dependent:***

Eligible dependent day care expenses are for a “qualifying individual”, which means your “qualifying child” (as defined in Code Section 152(c)) under age 13 or for any other “qualifying dependent” (qualifying child or qualifying relative, as defined in Code Section 152(c) and (d), respectively), or your spouse who is physically or mentally incapable of self-care and who has the same principal place of abode as you (the taxpayer) for more than half of the taxable year. If you are divorced or separated and you are the custodial parent of your qualifying child, your qualifying child qualifies if all the following conditions are met, even though you do not claim a dependency exemption for the child for federal income tax purposes:

- The child is your qualifying child (as defined in Code Section 152 (c)) under age 13 or is not able to care for himself or herself;
- The child must receive over half of the child’s support during the calendar year from the child’s parents;
- The child’s parents must be (1) divorced or legally separated under a decree of divorce or separate maintenance, (2) separated under a written separation agreement, or (3) lived apart at all times during the last six months of the calendar year;
- The child must be in the custody of one or both of his or her parents for more than half of the calendar year; and
- A decree of divorce or separate maintenance or written separation agreement between the parents applicable to the year provides that the noncustodial parent shall be entitled to any deduction allowable under Code Section 151 for the child, or the custodial parent will sign a written declaration that the custodial parent will not claim the child as a dependent for the year.

### ***What daycare expenses are reimbursable from your DCFSA?***

For you to receive reimbursement from your DCFSA for a daycare expense, the expense must meet the following requirements:

- expenses must be for a “qualifying individual”
- expenses must be for daycare expenses (to ensure the qualifying individual’s well-being and protection) and NOT for education, food, or other goods
- expenses must be incurred during the Incurred Period shown in the Plan Specifications at the end of this Summary. The date you pay for the service doesn’t matter. It is measured by the date the service is performed.
- you must submit information from the daycare provider describing the service, its date, and the amount of the expense
- you must sign the reimbursement request form agreeing that:
  - o the total reimbursement does not exceed the lesser of \$5,000, your earned income, your spouse’s earned income, or your employer’s set maximum

- o you will not claim reimbursement from another source nor will you claim the Dependent Daycare Credit
  - o the dependent care giving rise to the expense has already been provided
- A dependent day care center or an individual providing dependent day care must comply with all federal, state and local regulations, if applicable.
  - A dependent day care center is a place that provides care for more than six persons (other than persons who live there) and receives a fee, payment or grant for providing services for any of those persons, regardless of whether the center is run for profit.
  - Dependent day care expenses are eligible if the care is for your dependent, which would be a qualifying child (as defined in Code Section 152(c)) under age 13 or for any other qualifying dependent (qualifying child or qualifying relative as defined in Code Section 152(c) and Code Section 152 (d), respectively) or your spouse who is physically or mentally incapable of self-care, who has the same principal place of abode as you (the taxpayer) for more than half of the taxable year and who regularly spends at least 8 hours each day in your household.
  - The services of a housekeeper, maid or cook are usually considered necessary to run your home if performed in connection with the care of a qualifying dependent.
  - The cost of getting a qualifying dependent to and from your home and the care location is not an eligible expense.

### ***Earned Income Limit:***

Your eligible expenses during a calendar year may not be more than your earned income for the year, if you are single at the end of the calendar year, or the smaller of your earned income or your spouse's earned income for the year, if you are married at the end of the calendar year.

### ***Dependent Care Tax Credit Alternative:***

- You should be aware that you may be able to take a federal tax credit, depending on your adjusted gross income, ranging from 20% to 35% of the amount you pay for dependent day care expenses instead of participating in the Dependent Day Care Expense Reimbursement Account.
- You may use up to \$3,000 of dependent day care expenses to figure your credit if you have one qualifying dependent and up to \$6,000 if you have two or more qualifying dependents.
- The tax credit is a direct reduction of the tax you owe to the federal government, unlike the income exclusion of participating in the Dependent Day Care Expense Account. Many states also provide a state tax credit for dependent day care expenses.
- You should consult with your tax advisor as to whether the tax credit may be more favorable for you than participating in the Dependent Day Care Expense Account. You may also wish to obtain IRS Publication 503 for more information about the federal tax credit.

## ***Important Tax Information for Dependent Care:***

Regardless of whether you participate in the Dependent Day Care Expense Account under Section 125 or claim the dependent care tax credit on your income tax, **you must provide the IRS with the name, address and taxpayer identification number (TIN) of your dependent care provider(s) by completing Schedule 2 of Form 1040A or Form 2441 and attaching it to your annual income tax return.** Be sure that you follow the current instructions given by the IRS for preparing your annual income tax return. Failure to provide this information to the IRS could result in loss of the pre-tax exemption for your dependent care expenses.

## ***Important Information About Your Flexible Spending Account(s):***

- You must elect to participate prior to the beginning of each plan year. There is no allowance for late enrollment.
- The amounts that you designate for reimbursement of medical expenses may not subsequently be used for reimbursement of dependent day care expenses, and vice versa.
- If you are enrolled in the HCFSA and take a leave of absence during the plan year, you may: 1. Prepay the contributions pre-tax, or 2. Continue the contributions on an after-tax basis (pre-tax contributions may continue when you return to work), or 3. Prorate the unpaid contributions over the remaining pay periods when you return to work. Failure to make all election contributions will result in termination of your account as of the date contributions ceased.
- expenses must be incurred during the Incurred Period shown in the Plan Specifications at the end of this Summary. The date you pay for the service doesn't matter. It is measured by the date the service is performed.
- while reimbursement requests can be submitted at any time during the plan year, reimbursement requests must be submitted no later than the date shown in the Plan Specifications at the end of this Summary. **If you do not file enough claims for reimbursement, you will forfeit the unused amounts. This is often referred to as the "use or lose" rule.**

## ***Election Changes***

Dependent day care elections are irrevocable for the period of coverage (the plan year), except for a change in status which affects your need for day care. Examples of a change in status include marriage, divorce or legal separation; birth or adoption of a child; loss of a spouse or child; change in residence affecting your daycare or change in your or your spouse's employment status. An election change may also be allowed due to a judgment, decree or order, or cost change. If you revoke your dependent day care election due to a change in status, only expenses incurred while you are actively participating will be eligible for reimbursement.

**In most cases, no changes are permitted for the HCFSA.** Contact your employer for special rules affecting your plan.

## ***Options at Employment Termination:***

Upon termination of employment an employee may elect to discontinue participation in the HCFSA or to continue the payment, if eligible, either by pre-taxing the remaining contributions for the plan year from W-2 taxable income or paying for them on an after-tax basis (COBRA) through the end of the plan year. If you elect to continue all remaining contribution on an after-tax basis, the coverage under the HCFSA will continue until the premium ceases and expenses incurred during the period of coverage (including grace period) will be reimbursed.

If you do not elect to continue the payments on an after-tax basis, only expenses incurred during the period of coverage will be reimbursed. **Coverage under the HCFSA ceases when the payments cease.**

## **HOW TO FILE A REIMBURSEMENT REQUEST**

1. **Complete a Reimbursement Request**, along with the required documentation listed below.
2. **Submit your completed form and documentation** to Automated Group Administration's (AGA) Flex Department. You can either mail it to 7605 Westfield Drive, Fort Wayne, IN 46825, fax it to (260) 489-6447 or email to [flex@aga-tpa.com](mailto:flex@aga-tpa.com).
3. **AGA will process reimbursement requests on the 15<sup>th</sup> and last day of each month.** Reimbursement checks will be mailed to the participant's home address.



### **HCFSA Acceptable Documentation with a Reimbursement Request:**

1. Professional bill or receipt that includes provider of service, type of service rendered, original date of service, who services were for and charge for the service. NOTE: the date of service, not the date of payment, must fall within the plan year for which you are enrolled.
2. Insurance Company Explanation of Benefits (EOB).
3. Pharmacy statement that includes Rx number and the name of prescription, along with amount charged.
4. Over-the-counter drugs and medicine require a medical practitioner's prescription and receipt.

### **HCFSA and Unacceptable Documentation with a Reimbursement Request Form:**

1. Cancelled checks / credit card receipts.
2. Bill or receipt that shows a balance forward / previous balance or payment.
3. Documentation that is not legible.

### **Dependent Care Acceptable Documentation with a Reimbursement Request:**

Bill or receipt that includes provider of service, type of service rendered, dates of service, who the service was provided for and charge for the service. NOTE: the date of service, not the date of payment, must fall within the plan year for which you are enrolled.

## QUESTIONS & ANSWERS:



**Q: Who is eligible to participate in the Flexible Benefits Plan?**

*Any employee who meets the eligibility requirements shown in the Plan Specifications at the end of this Summary.*

**Q: How long will it take for my reimbursement request to be processed?**

*Reimbursement requests will be processed on the 15<sup>th</sup> and last day of each month. Generally, if requests are received by 10:00 a.m. on the processing date, they will be processed.*

**Q: How often do I need to submit my reimbursement request?**

*You may submit your reimbursement requests as often as is convenient for you. All reimbursement requests must be submitted no later than the date shown in the Plan Specifications at the end of this Summary.*

**Q: What paperwork is required for an unreimbursed medical reimbursement request?**

*The required documents are listed in the instructions on the reimbursement request form.*

*Some expenses require a doctor's statement to justify the expense. When a doctor's statement is required, it should be on the doctor's letterhead (or prescription pad) and should state that the treatment or expense is necessary to treat the specified medical condition. Please refer to the eligible expense chart <https://www.fsafeds.com/explore/hcfsa/expenses>.*

**Q: The run-off period for my plan will end very soon. Does my reimbursement request have to be in your office by the last day of the run-off period, or just postmarked by this date?**

*Reimbursement requests **must be received** in our office on or before the last day of the run-off period.*

**Q: What paperwork is required for a dependent day care reimbursement request?**

*You will need to submit a completed reimbursement request form. Follow the instructions on the form.*

**Q: Can I cancel my Dependent Day Care Expense Account?**

*The only way the Dependent Day Care Expense Account may be cancelled is if you have a change in status that affects your need for the benefit. Otherwise, the plan will remain in force until the end of the plan year.*

**Q: Can I submit a reimbursement request for expenses under my dependent day care account that have not been incurred yet?**

*Dependent day care reimbursements may not be made until after the daycare services have already been provided. Though payment may be made to your daycare provider for future services, they cannot be reimbursed from your account until they have been fully rendered.*

**Q: What happens if there is money left in my account at the end of a plan year and I have no reimbursement requests?**

*If there are any unclaimed amounts in the participant account, the participant forfeits the money in the account. This is the "use it or lose it" feature of a Flexible Benefits Plan as required by the IRS.*

For this reason, participants need to make conservative estimates of their reimbursable expenses prior to each Plan Year. Dependent child care expenses are generally easy to estimate. Health Care expenses not covered by insurance are harder to predict. However, experience shows that when a participant is informed that he has money left in his account and the plan year is coming to an end, he'll then go for the checkup he's been putting off, or get than new pair of glasses he's needed, etc. With proper planning, forfeitures are quite uncommon.

**Q. I went to the doctor before the plan year began, but I did not pay the expense until after the plan year started. May I include that expense?**

*No. Services must be incurred during the plan year or during the 2 ½ month grace period after the end of the plan year. The date of payment does not matter.*

## **PLAN SPECIFICATIONS**

**Plan Name:** Northwest Allen County Schools Flexible Benefits Plan

**Employer Name:** Northwest Allen County Schools

**Restatement Date (if any):** October 1, 2023

**Plan Year:** October 1 – September 30

**Incurred Period:** Expenses must be incurred during the plan year or before the end of the grace period. For your plan, it must be incurred between October 1 and December 15<sup>th</sup> of the following year. For example: For the October 1, 2023 Plan Year the expenses must be incurred between October 1, 2023 and December 15, 2024.

**Reimbursement Requests Deadline:** Reimbursement requests must be submitted by December 31st following the end of the Plan Year. For example: For the October 1, 2023 Plan Year the expenses must be submitted no later than 90 days (December 31) following the end of the plan year.

**Maximum annual HCFSA:** \$3,050.00 (indexed to IRS maximum)

**Maximum annual dependent care flexible spending account (DCFSA):** \$ 5,000

**Requirements to become eligible to participate in the Plan:** The eligibility requirements are the same as the Employer's group health plan. Employee doesn't have to actually participate in the health plan, only meet the eligibility requirements.