

CITY OF BOWLING GREEN

**01/01/2020 - 12/31/2020
FLEXIBLE SPENDING PLAN**

HIGHLIGHTS

CORESOURCE

A Trustmark Company

INTRODUCTION

Health care and dependent care expenses can take quite a bit out of your family's budget. City of Bowling Green Flexible Benefits Plan allows you to pay for most of these expenses on a tax-free basis.

This brochure highlights the Flexible Benefits Plan. It contains important information you will need to know to make informed and thoughtful benefit selections for the 01/01/2020 –12/31/2020 plan year. In addition to the highlight brochure, you should have:

- **worksheet to help you estimate expenses**
- **your election form**
- **sample reimbursement form**

The information in this kit is intended to provide only a general explanation of the Flexible Benefits Plan. For additional benefit information, you should refer to the official summary plan description, which describes the plan and its rules.

Any discrepancy between this brochure and the plan document, or any issue not covered in the brochure, the terms of the plan document will govern in all cases.

THE BENEFIT TO YOU

The Flexible Benefit Plan allows you to pay for certain benefits on a pretax basis. This means that if you choose to participate in the Flexible Benefits Plan the costs for your benefits are deducted from your paycheck. This occurs before you pay any federal income or state income taxes.

With the *pretax advantage*, your taxable income is reduced and *you have more money in your take-home pay*.

Participation in the Flexible Benefit Plan is voluntary. If you decide to participate, you will *elect the amount* you wish to redirect to the Flexible Benefit Plan. This election is *based on your individual needs and circumstances*.

The amount you save in taxes, by enrolling in any of the three options in the plan, depends on:

- **the amount you set aside**
- **your tax bracket**
- **the number of dependents you claim**

Reimbursement Accounts Overview

Until now, you may have paid for many out of pocket health care expenses and child care expenses on an after-tax basis. That is, your payments were made from your take-home pay after taxes were calculated and deducted from your gross earnings.

Two benefits enable you to pay for health care and dependent care expenses on a pretax basis. These benefits are:

Health Care Reimbursement Account – to help you pay for health, dental, prescription and vision expenses

Dependent Care Reimbursement Account – designed to offer you a tax break on dependent and child care expenses

HOW THE REIMBURSEMENT ACCOUNTS WORK

Prior to the beginning of each plan year, you elect how much you want deducted from each paycheck for the Health Care Reimbursement Account and/or Dependent Care Reimbursement Account. The money is deducted from your pay on a “pretax” basis. Pretax contributions lower your overall income for tax purposes – saving you money in taxes.

You then may use the Health Care Reimbursement Account and/or Dependent Care Reimbursement Account to reimburse yourself after you have incurred eligible expenses covered by one of the corresponding accounts.

IRS REQUIREMENTS

ANNUAL ELECTIONS

You will have an opportunity prior to the start of each plan year to decide if you want to participate in the Health Care or Dependent Care Reimbursement Account and how much to contribute. Based on IRS regulations, you are not permitted to change your election during the plan year unless you have an eligible change in “life status” occur. You must request any change of election in writing to Human Resources within 30 days of the event.

Life status changes include:

- Change in employee’s legal marital status
- Change in number of dependents
- Termination or commencement of employment by the employee, spouse or dependent
- Change in work schedule
- Dependent satisfies (or ceases to satisfy) dependent eligibility requirements

FUNDS CANNOT BE TRANSFERRED BETWEEN ACCOUNTS

If you choose to participate in both the Health Care Reimbursement Account and the Dependent Care Reimbursement Account; you may not transfer funds between your accounts. The accounts are separate and money designated for medical expenses cannot be spent on dependent care and vice versa.

USE IT OR LOSE IT

Both of the accounts are regulated by Internal Revenue Service (IRS) guidelines. One of these regulations is known as the “use or lose it” rule. This rule states you must use all of the money you contribute in a plan year for eligible expenses incurred during the plan year. You have 90 days following the end of the plan year to submit expenses incurred during the plan year. According to IRS guidelines, any money you have left in your reimbursement account after submitting all your claims for the plan year must be forfeited.

However, to make health FSAs more consumer friendly and provide added flexibility, the updated guidance permits employers to allow plan participants to carry over up to \$500 of their unused health FSA balances remaining at the end for the plan year.

The forfeited amounts, if any, will be used to offset the administrative expenses associated with the Plan; therefore, your elections should be conservative. Work sheets have been provided at the end of this material to help you estimate the correct amount for your elections.

Over the Counter Medications

Effective January 1, 2011, FSA funds can no longer be used to purchase Over the Counter medicine and drugs unless a medicine or drug is prescribed. A “prescription” means a written or an electronic order for a medicine or drug that meets the legal requirements of a prescription in the state in which the medical expense is incurred and that is issued by an individual who is legally authorized to issue a prescription in that state.

The OTC items affected include items in the following categories:

- Acid controllers
- Allergy & Sinus
- Antibiotic products
- Anti-diarrheals
- Anti-gas
- Anti-itch & insect bite
- Antiparasitic treatments
- Baby rash ointments/creams
- Cold sore remedies
- Cough, cold & flu
- Digestive aids
- Feminine anti-fungal/itch
- Hemorrhoidal preps
- Laxatives
- Motion sickness
- Pain relief
- Respiratory treatments
- Sleep aids & sedatives
- Stomach remedies

HEALTH CARE REIMBURSEMENT ACCOUNT

Most individuals, even those with generous health care plans, will incur expenses that are paid out-of-pocket. The Health Care reimbursement Account lets you set money aside on a tax-free basis each year to pay for these kinds of expenses. You can set aside any dollar amount, up to a maximum for \$100.00 per pay (\$2,700 annual maximum). (NOTE: 27 pays per year)

Qualifying health care reimbursement expenses include only those expenses incurred for yourself, your spouse and all dependents you list on your federal tax return.

Health care reimbursements account expenses must be considered tax deductible by the Internal Revenue Service (IRS). According to IRS regulations, eligible medical expenses include, but are not limited to:

- Acupuncture
- Ambulance
- Animals (specially trained to assist handicapped individuals), Buying, Training & Maintaining
- Braille Books & Magazines
- Chiropractor Fees
- Crutches
- Deductible/Copays
- Physical Therapy
- Radial Keratomy
- Wheelchair / Durable Medical Equipment
- Dental Expenses
- Dentures
- Drug & Alcohol Treatment
- Educational Aids for Handicapped Individuals
- Eye Examinations / Glasses / Contact Lenses
- Gynecologist Fees
- Hearing Aids & Batteries
- Prescription Drugs
- Routine Exams
- Well Baby Care
- Immunizations
- Insulin / Diabetic Supplies
- Laboratory Fees
- Lasik Surgery
- Obstetrical Expenses
- Orthodontia Fees
- Orthopedic Shoes
- Psychiatric Care
- Sterilization

Examples of types of expenses not eligible for reimbursement from a health care reimbursement account include, but are not limited:

- Cosmetics / Toiletries
- Toothpaste
- Household and Domestic Help
- Dental Procedures to Whiten Teeth
- Funeral & Burial Expenses
- Cosmetic Procedures (Unless related to a disfigurement as a result of injury or congenital condition.)
- Illegal Operations
- Insurance Premiums

In addition expenses are not reimbursable for the Health Care Reimbursement Account if they were used as income tax deduction or reimbursed by Medicare, any Federal or State program, employer sponsored plan or an individual insurance policy. Claims Submitted to your Health Care reimbursement account will be reimbursed based on the unpaid portion of your annual election. For example, suppose your annual election is \$1200 (\$100/month). If you incur a \$300 expense during the first month of the plan and submit it for reimbursement, you will be reimbursed \$300 even though you have only contributed \$100.

DEPENDENT CARE REIMBURSEMENT ACCOUNT

Dependent Care is a major expense for many employees. If someone takes care of your dependent so you and your spouse (if married) can work or attend school full time, you may want to consider participating in the Dependent Care Reimbursement Account to pay for these dependent care expenses.

Like the Health Care Reimbursement Account, participation in the Dependent Care Reimbursement Account is optional. With this account you can set aside a specified amount from your check each pay period, before taxes are withheld, and direct it into the account. Reimbursement may then be requested throughout the plan year by submitting proof of payment.

Unlike the Health Care Reimbursement Account, dependent care claims will be reimbursed only up to the amount you have contributed to the account. For example, suppose your annual election is \$1200 (\$100/month). If you incur a \$150 expense during the first month of the plan, you will only be reimbursed \$100 the first month because that is all that you have contributed. The unpaid \$50 will automatically pend reimbursement until the next processing period.

To participate in the Dependent Care Reimbursement Account, you must be either single or married with a spouse who works for pay, is disabled or is a full-time student and:

- have a dependent under age 13 who requires care and is claimed as a dependent on your federal income tax return**
- have a disabled dependent such as a child (over age 13), spouse or parent who requires care and is claimed (or are able to claim) as your dependent on your federal income tax return**
- if you are married, the amount reimbursed cannot exceed the lesser of your two incomes**
- the IRS limits the total amount reimbursed through the account to \$5,000 each year (\$2,500 for married individuals filing separate tax returns)..**
- day care services must be to the physical care of the child, not for education, meals, etc**
- if your child receives day care in a licensed facility, the law requires you to disclose the provider's Tax I.D.; if care is provided in something other than a licensed facility, the social security number of the person providing the care must be reported**

ELIGIBLE DEPENDENT CARE REIMBURSEMENT ACCOUNT EXPENSES

You can use your Dependent care Reimburse Account to reimburse yourself for the following types of expenses

- **Day Care**
- **After-school care**
- **Services of a home health care worker for an incapacitated dependent/ or**
- **Care for an elderly dependent**

You cannot, however, use this plan to pay for these expenses if the care was provided by your own child under age 19 or by any other individual who is your (or your spouse's) dependent.

TAX CREDIT ALTERNATIVE

You should be aware that you might be able to take a Federal Tax Credit of up to 30% of the amount you pay for dependent care expenses instead of participating in the Dependent Care Reimbursement Account. You may use up to \$3,000 of dependent 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. You should consult with your tax advisor as to whether the tax credit may be more favorable for you than participating in the Dependent Care Reimbursement Account. The maximum contribution and reimbursement permitted through a Dependent Care Reimbursement Account is \$5,000 per year, regardless of the number of Children.

ENROLLMENT PROCESS

The last page of this handout is an election form, which needs to be completed and signed even if you do not participate. Complete each section as directed. If you are not participating in a certain option check the decline box. Read the authorization statement and sign even if you are not participating in any aspect of the program.

After your election form has been processed, you will receive a confirmation statement in the mail verifying your election. Remember that once made, your election cannot be changed except for the “family status” events previously outlined.

REIMBURSEMENT ACCOUNT CLAIM SUBMISSION PROCEDURES

Health Care Reimbursement Account Expense: Follow the directions that apply to expense

- 1. Complete a claim form and attach the explanation of benefits (EOB) from your health plan with a copy of the charges.**
- 2. If the expense is not covered by any group health plan available to you, please submit your original receipt along with a Flexible Spending Reimbursement/Request Form. The receipt must contain the following information:**

**Date of Service
Type of Expense
Amount of the Expense
Name of the Person Receiving the Product or Service
Name of the Provider of Product or Service**

Dependent Care Account Expense

- 1. Complete a claim form and submit a receipt that states all the following information:**

**Date of Service
Type of Expense (Child Care or Elder Care)
Name of Provider of Service
Provider's Tax ID# or Social Security #
Amount of the Expense**

Eligible Charges will be reimbursed to you subject to the following guidelines:

Minimum Check Amount of \$10.00 – Expenses less than \$10.00 will be carried forward until the total eligible claims submitted exceeds \$10.00, or the end of the plan year, whichever comes first.

Checks Reimbursed Weekly – Reimbursement checks will be issued every Tuesday.

Claims Deadline is noon Monday – Claims must be received in the Flexible Spending Department by noon Monday in order to be included with payment on Tuesday.

With each check, you will receive information regarding the current status of your accounts. You will also receive a new claim form for submitting future claims.

CITY OF BOWLING GREEN REIMBURSEMENT ACCOUNT WORK SHEET

Instructions: complete this work sheet to assist you in determining the amount to contribute to your Health Care Reimbursement Account and/or Dependent Care Reimbursement Account. Only Expenses that you feel certain that you will incur from 01/01/20 to 12/31/20 should be entered. Be conservative. Remember, unused account balances at the end of the year must be forfeited. Use annual amounts

Health Care Reimbursement Account Expenses

Medical Care

Deductibles, co-payments and out of pocket expenses
Not covered by your group health plan. (Out of pocket
Expenses might include costs for well-baby care, routine
Exams, immunizations, prescription drugs including
Birth control pills, orthopedic shoes, over the counter medications,
Etc.)

Family Member Expenses

| | | |
|--------|----|-------|
| You | \$ | _____ |
| Spouse | \$ | _____ |
| 1 | \$ | _____ |
| 2 | \$ | _____ |
| 3 | \$ | _____ |

\$ _____

Dental Care

Deductibles, co-payments and out-of pocket expenses
not covered by your dental plan. Include expected
uncovered dental expenses for exams, x-rays, fillings,
dentures, orthodontia, bridges, root canals and etc.

| | | |
|--------|----|-------|
| You | \$ | _____ |
| Spouse | \$ | _____ |
| 1 | \$ | _____ |
| 2 | \$ | _____ |
| 3 | \$ | _____ |

\$ _____

Vision Care

Include expected uncovered expenses for exams,
prescription eyeglasses, contact lenses, contact
solutions, prescription sun glasses, etc.

| | | |
|--------|----|-------|
| You | \$ | _____ |
| Spouse | \$ | _____ |
| 1 | \$ | _____ |
| 2 | \$ | _____ |
| 3 | \$ | _____ |

\$ _____

Hearing Care

Include Expected uncovered expenses for hearing
exams, hearing aids, hearing aid batteries, etc.

| | | |
|--------|----|-------|
| You | \$ | _____ |
| Spouse | \$ | _____ |
| 1 | \$ | _____ |
| 2 | \$ | _____ |
| 3 | \$ | _____ |

\$ _____

Total Annual Estimated Health Care Expenses

\$ _____

This is your estimated per pay period contribution for your Health Care Reimbursement Account. (Annual amount divided by number of pay periods per year).

\$

Dependent Care Reimbursement Account Expenses

A baby sitter in the home while you are working

\$ _____

Expenses for a day care center or baby sitter

\$ _____

Total Annual Estimated Dependent Care Expenses

\$ _____

This is your estimated per pay period contribution for your Dependent Care Reimbursement Account. (Annual amount divided by number of pay periods per year).

\$