

FLEXIBLE SPENDING ACCOUNT (FSA) OVERVIEW

PLEASE NOTE

Your participation in the Health Care Flexible Spending Account and/or the Dependent Care Flexible Spending Account will end on December 31. However, the University has implemented an IRS extension rule which allows employees to incur expenses until March 15 if they have unused funds at the end of calendar year.

These accounts do not automatically renew; you must re-enroll each year during open enrollment.

Flexible Spending Accounts (FSAs) allow you to pay for certain out-of-pocket health care and dependent daycare expenses with pre-tax dollars. Your contributions are subtracted from your paycheck before federal, state, and FICA taxes are calculated on your pay, so you save monthly on taxes.

Contributions for FSAs do not reduce your pay for purposes of determining your life insurance, long-term disability or retirement benefits provided by the University.

There are two types of FSAs. You may participate in either or both:

- 1) Health Care FSA - covers eligible health care expenses for you and your eligible dependents.
- 2) Dependent Care FSA – covers eligible dependent daycare expenses so you can work or attend school full-time.

How the Accounts Work

FSAs are simple. Here's how they work:

- You decide whether to participate in one or both accounts.
- You decide how much you want to deposit during the calendar year.
- The money you allocate to one or both accounts is automatically deducted from your pay each pay period, before taxes are taken out.
- Throughout the year, after you incur eligible expenses, you submit an FSA claim form along with receipts to The Controller's Office, and you are reimbursed (up to your annual amount) with your tax-free money.
- Reimbursements will be paid on each Friday on off-payroll weeks. The FSA claim form must be submitted by Monday in order to receive reimbursement on the following Friday. You can pick up your reimbursement check at the Cashier's Office.

THINGS TO CONSIDER FOR HEALTH CARE AND DEPENDENT CARE FSAs

There are some IRS rules you should be aware of before you decide to participate in an FSA.

- Your contributions for a Health Care or Dependent Care FSA must be used for eligible expenses you incur between January 1 and March 15.
- You incur an expense on the date the service is provided – not when you are billed or when you pay for it.

- By law, any unclaimed money remaining in your account(s) on April 30 is forfeited and will not be returned to you. This is known as the “use it or lose” rule. Planning carefully and filing your claims promptly will help ensure that you can maximize the benefits of your account.
- The Health Care Flexible Spending Account and the Dependent Care Flexible Spending Account must be maintained as two separate accounts. Money cannot be transferred between the accounts, and health care services cannot be reimbursed from a Dependent Care FSA or vice versa.
- Expenses reimbursed through an FSA cannot be used as a deduction or credit on your federal income taxes.
- With the Health Care Flexible Spending Account, you have access to the total amount you elected for the plan year as soon as eligible expenses are incurred.
- For a Dependent Care Flexible Spending Account, you can only be reimbursed up to the amount available in your account. Claims for expenses exceeding that amount will be reimbursed as additional funds accumulate in your account.
- The contribution amount you elect during Open Enrollment is in effect until the end of the plan year. You may change your contribution amount during the plan year only if you experience a qualifying event.
- If you enroll mid-year, expenses incurred before your effective date or not eligible.

Annual Enrollment Required to Participate

FSA participation does not carry forward from one year to the next. If you have an FSA in the current year and you wish to participate next year, you must re-enroll and designate the amount of money to be withheld.

Services Deadline

For Health Care or Dependent Care FSA, you can incur expenses until March 15 of the following year.

Claims Deadline

To receive reimbursement for the current year’s expenses, you must submit your claims to Accounts Payable by April 30. Money left in your account on or after April 30 will be forfeited.

Questions?

For more information, call Cathy Vaughan at (989)-964-4230.

HEALTH CARE FSA

You can contribute up to \$2,500 per calendar year (\$96.15 per pay period) to your Health Care FSA.

Many common health care expenses are eligible for reimbursement for your Health Care FSA, including medical and dental co-pays, deductibles, prescription co-pays, vision care, and LASIK surgery. Generally, any health care expenses you can deduct on your federal income tax return are eligible for reimbursement from your Health Care FSA. There are some exceptions. For example, a Health Care FSA may not reimburse participants for insurance premiums paid for individual or employer-sponsored coverage. For a list of covered Health Care FSA expenses, refer to IRS Publication 502 at: www.irs.gov or consult your tax advisor

Health Care FSA: Eligible Expenses

Eligible expenses include, but are not limited to:

- Any necessary medical, dental, and vision plan expenses not reimbursed by any benefits plan. This includes co-pays, deductibles, co-insurance, amounts above prevailing fee limits, and amounts exceeding plan dollar maximums;

- Hearing care;
- Prescription co-pays;
- Services and equipment for the disabled.

Flexible Spending Account Changes

New legislation will affect Health Care Flexible Spending Accounts (FSAs) starting in 2011.

- Over the Counter Drugs and Medicines – Beginning on January 1, 2011, certain over-the-counter (OTC) medicines, such as allergy medication, digestive aids, and cough, cold, and flu medications, will require a prescription to be considered for the reimbursement from an FSA.

Please keep these changes in mind when you decide the amount to contribute to your Health Care FSA. Remember, enrollment in an FSA is not automatic; **you must re-enroll during open-enrollment each year if you wish to participate in a Flexible Spending Account.**

DEPENDENT CARE FSA

You can contribute up to \$5,000 each year (\$192.31 per pay period) to your Dependent Care FSA.

You can use the Dependent Care FSA only if you are paying for dependent care so you can work. In addition, if you are married, your spouse must either work, attend school full-time for at least five months each year, or be disabled to be eligible. Eligible dependent care expenses include qualified daycare centers for children or qualified adults as well as care inside or outside your home.

Dependent Care FSA: Eligible Expenses

Eligible expenses include, but are not limited to:

- Care for dependents age 12 or younger or dependents regardless of age who are physically or mentally incapable of caring for themselves and whom you claim as a dependent on your federal income tax return. You (and your spouse if you are married) must maintain a home that you live in for more than half of the year with your qualifying child or dependent.
- Care when you are at work. If you are married, your spouse must also be at work, school (as a full-time student), searching for a job, or mentally or physically disabled and unable to provide care for a dependent. For a list of covered Dependent Care FSA expenses, refer to IRS Publication 502 at: www.irs.gov or consult your tax advisor.