

Flexible Spending Account FAQ's

How do they work?

When you participate in a Health Care or Dependent Care spending account, you elect to have a specified amount of pre-tax dollars deducted from your paycheck each pay period during the calendar year (plan year). These dollars are subtracted from your gross earnings before federal, state, and FICA (Social Security) taxes are deducted and then contributed to a reimbursement account established in your name. After you submit a reimbursement request and proper documentation of the qualified expense, you will be reimbursed from your account.

In both Health Care and Dependent Care, when you contribute pre-tax dollars to a reimbursement account, your taxable income is lowered; therefore, you pay fewer taxes and increase your spendable income. This concept is authorized and regulated by Sections 125 and 129 of the Internal Revenue Code.

Who can participate?

All regular, benefit eligible employees can participate in the Health Care and Dependent Care Reimbursement Plans. However, for dependent care expenses to be eligible for reimbursement both spouses must be gainfully employed and you must have a qualified dependent. A qualified dependent is a child under the age of 13; or another relative, such as a parent or incapacitated spouse, who depends on you for at least half of their support, lives with you, and qualifies as your dependent for federal income tax purposes.

How much can I set aside?

Health Care: Effective July 1, 2009 for plan year 2010 the maximum amount you may contribute is \$5,000.

Dependent Care: For employees who are married and file a joint income tax return, employees who file as a single taxpayer, or employees who file as head of household, the maximum annual contribution is \$5,000. For a married taxpayer filing a separate tax return, the annual maximum contribution is \$2,500.

Your total annual contribution will be divided by the number of paychecks you receive during the year to determine your monthly contribution:

Monthly: 12 paychecks
Academic: 10 paychecks
Bi-weekly: 24 paychecks*

**Bi-weekly employees receive 26 paychecks per year; however, deductions will be made only from the first two paychecks per month for a total of 24 deductions.*

Can I change the amount of my deduction during the calendar year?

Generally, no. For both Health Care and Dependent Care, the amount you elect during your initial enrollment will remain in effect for the entire plan (calendar) year. You can change the amount of your contribution or cancel your participation in the plans **only** if you experience an IRS approved change in family status, such as: a change in your marital status; birth, death, or adoption of a dependent; a dependent losing eligibility status; a change in your or your spouse's employment status; or a significant change in your or your spouse's work-related benefit plan. Changes in your election must be consistent with and because of your family status change.

Requests for change must be submitted to the Insurance Office when you experience an IRS-approved family status change. You will also be required to furnish proof of the change in family status. This request must be made within 30 days of the date of the qualifying event.

What is the "use it or lose it" rule?

IRS regulations specifically provide that money contributed to a spending account but not used by the end of the plan year will be lost. Therefore, you must plan wisely and may wish to be conservative in your estimate. The deadline for requesting reimbursements will be March 31 following the year expenses were incurred.

As long as you continue to participate in Health Care or Dependent Care, you may claim expenses you incur during the plan year.

If you terminate employment during the plan year, only eligible expenses incurred during the "period of coverage" (the portion of the year in which you were enrolled) may be claimed.

Enrollment forms are available in Human Resources.

Human Resources

University Center
1500 North Patterson Street
Valdosta, GA 31698

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(229) 333-5709

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http://services.valdosta.edu/human_resources/
Rev. 10/22/03
Rev. 2/10/09

How do I ask for reimbursement?

For charges covered by insurance, you must attach to your Health Care reimbursement request an original Explanation of Benefits (EOB) you receive from the insurance company.

You may submit for Health Care reimbursement all expenses in the "You Owe" column of the EOB, including:

- Not Covered
- Deductible
- Coinsurance
- Co pay

For expenses not covered by insurance (glasses, contacts, over the counter drugs, etc.) you must submit **original** receipts.

For Dependent Care reimbursement, **original** receipts supplying the name and the taxpayer ID number of the provider are required.

Are over the counter drugs eligible for Health Care reimbursement?

Yes, IRS regulations now allow over-the-counter drugs to be reimbursed through medical spending accounts. However, nonprescription eligible drugs must be consistent with the IRS definition of "medical care which includes amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease." Examples of eligible nonprescription expenses include antacids, allergy medicine, pain relievers, and cold medicines.

Items not eligible are expenses merely beneficial to the general health of an individual. Examples of non-eligible items are those items not generally accepted as "medicine and drugs," including expenses for vacations, dietary supplements, vitamins, toiletries (e.g., toothpaste), cosmetics (e.g., face creams), and bandages. Contact Human Resources for further information.

Eligible expenses for Health Care:

A medical spending account may be used to pay many types of medical expenses not paid by insurance plans. Generally, any unreimbursed expense that meets the IRS criteria and is incurred during the plan year is eligible.

Some examples include:

- Insurance plan deductibles
- Co-insurance amounts
- Charges in excess of UCR
- Charges in excess of wellness care limit
- Charges in excess of psychiatric limit
- Chiropractic care
- Hearing aids
- Contact lenses and eyeglasses
- Dental care and braces

- Special medical equipment
- Some medically related transportation
- Massage therapy
- Batteries necessary for medical equipment
- Stop-smoking programs by prescription
- Eligible expenses listed in IRS publication 502
- Non-prescription drugs considered "medicine or drugs" as defined by the IRS (e.g., allergy medicine & pain relievers)

Ineligible expenses for Health Care:

- Insurance premiums
- Expenses reimbursed under any insurance plan
- Cosmetic surgery (includes bleaching of teeth)
- Health activities including swimming lessons
- Health club dues
- Non-prescription drugs used for general well being (Vitamins, minerals, or herbal preparations)
- Weight loss programs to maintain general good health
- Exercise equipment
- Adoption expenses
- Dust elimination services
- Marriage counseling fees
- Retirement or care home
- Bandages
- Physician prescribed vacation expenditures
- Maternity clothes
- Ineligible expenses listed in IRS publication 502
- Toiletries, cosmetics