Flexible Spending Accounts

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Flexible Spending Accounts (FSAs)

Flexible Spending Accounts offer a convenient way to pay for health and dependent care expenses on a before-tax basis, reducing your taxable income.

You may refer to the Department of the Treasury Internal Revenue Service (IRS) Publication 502, *Medical and Dental Expenses* (including the Health Coverage Tax Credit), and Publication 503, *Child and Dependent Care Expenses;* your personal financial or tax advisor; or visit the IRS website at www.irs.gov for more tax information.

Flexible Spending Accounts:

Give you choices

You can contribute to the Healthcare Flexible Spending Account, the Dependent Care Flexible Spending Account, or both. Each year, you can contribute from $50 up to the maximum allowed per IRS guidelines to the Healthcare Flexible Spending Account to pay for certain health-related expenses; such as copays for visits to the doctor and out-of-pocket expenses for prescriptions; other healthcare services for medical, dental, and vision care; and for prescribed over-the-counter drug expenses that have not been otherwise reimbursed. Also, you can contribute from $50 up to the maximum allowed per IRS guidelines to the Dependent Care Flexible Spending Account to pay for day care and elder care expenses for Eligible Dependents.

ⓘ No Transfers Allowed

Remember, you may not transfer money between flexible spending accounts. Money set aside in your healthcare spending account cannot be used to reimburse dependent care expenses and vice versa.

Offer convenience

Your flexible spending account contributions are automatically deducted from each paycheck and credited to your flexible spending accounts.

Save you money in taxes

The money in your accounts is not subject to federal income taxes, Social Security taxes, or Medicare taxes. And, in most places, state and local taxes also do not apply. This means that many of your routine health and dependent care services will actually cost you less. You will not pay taxes on the amounts you contribute to either account, and your annual taxable income is reduced by the amount of your contribution.

Require careful planning

You need to estimate your expenses for the upcoming year carefully, during the annual benefits Open Enrollment, when deciding how much to contribute to the flexible spending accounts. According to Internal Revenue Service rules, any money left in your account for which a reimbursement claim is not incurred by the deadline (i.e., March 15 of the following year) will be forfeited. In other words, use it or lose it.

What happens to your benefits when?

ⓘ **For more information about what happens to your flexible spending account participation when certain changes or events occur, see "How Changes Affect Your Benefits" in the "About Your Benefits" section.**

How the Flexible Spending Accounts Work

Follow these steps to put the flexible spending accounts to work for you:

- **Estimate your expenses**.

  Each year, you calculate these expenses for the upcoming year: any out-of-pocket medical, dental, vision care, prescription, and prescribed over-the-counter drug expenses and your dependent care expenses. You should estimate carefully because you will forfeit any unused funds.

- **Decide on your annual contribution**.

  You can contribute a whole-dollar amount from $50 up to the maximum allowed per IRS guidelines on a before-tax basis to the Healthcare Flexible Spending Account and from $50 to the maximum allowed per IRS guidelines on a before-tax basis to the Dependent Care Flexible Spending Account. The two accounts are separate, and you may not transfer funds between the two. Once you begin contributing, you may not change or stop your contributions during the year unless you have a Qualifying Life Event as described in the “About Your Benefits” section.

  You can contribute to the Healthcare Flexible Spending Account if you are enrolled in a non-high deductible plan provided by CNS, or a non-high deductible medical plan outside of the CNS plan (e.g., you are enrolled in a plan through your spouse’s employer), or you are not enrolled in a medical plan.

  You cannot contribute to a Healthcare Flexible Spending Account if you are enrolled in the Choice Fund HSA plan or if you are enrolled in another high-deductible medical plan outside the CNS plan.

  The Dependent Care Flexible Spending Account is only used for dependent care expenses that allow you to work. It is not used for dependents’ healthcare expenses. You do not need to be enrolled in a health plan to participate in the Dependent Care Flexible Spending Account. For additional information see Dependent Care Flexible Spending Account later in this section.

  Your contributions are taken from your paycheck before federal and state taxes are deducted, making these amounts tax free.

ⓘ **File a claim**

Cigna administers both the Healthcare Flexible Spending Account and the Dependent Care Flexible Spending Account.

You may pay for your eligible expenses and submit a claim for reimbursement or you may use your FSA debit card. Save your receipts, even if you use the debit card.

When you have eligible expenses, you can:

- Submit a receipt, reimbursement request, and any other supporting documentation to the claims administrator, Cigna.
- Go to www.myCigna.com for account details, including up-to-date balance information, claim status, claim forms, and answers to general questions. Call Cigna at 1-855-247-0884 to speak with a customer service representative 24/7/365.

Although it is a good idea to submit your claims as you incur expenses during the year, IRS rules allow expenses incurred before March 15 of the following year to be used against the previous year’s remaining balance. Those claims must be filed no later than June 30 of that year.

ⓘ **Receive reimbursement**

Reimbursements from your accounts are made with before-tax dollars.

Reimbursement forms are available from the Benefit Plans Office or by accessing the Benefit Plans website.

ⓘ **Should you participate?**

Here are some questions you may want to ask yourself before you decide to contribute to a flexible spending account:

ⓘ **What do you expect your out-of-pocket healthcare expenses will be?**

Start with your deductibles, and then add any medical, dental, vision care, prescription, or prescribed over-the-counter drug expenses that are not covered, such as copayments, charges above Maximum Reimbursable Charge, or charges above plan maximums.

ⓘ **What do you expect your dependent care expenses will be?**

Consider any times of the year when you do not have these child care expenses, such as vacation periods. Also, if your child will turn 13 during the year, estimate your expenses only for the portion of the year before your child's 13^{th} birthday.

Changing your Contribution

You may not change or stop your contributions to the flexible spending accounts during the year unless you have a Qualifying Life Event, such as a birth, marriage, or a job loss by your spouse. The change in contributions must be consistent with the Qualifying Life Event. For example, with the birth of a child you can increase your contributions but not decrease them.

See the "About Your Benefits" section for more information on Qualifying Life Events. If you stop contributing to the flexible spending accounts, you can be reimbursed only for eligible health and dependent care expenses incurred before you stopped contributing.

Limit for Highly Compensated Employees

Certain highly compensated employees may be limited by the IRS as to how much they can contribute to the dependent care spending account each year. You will be notified if this limit applies to you.

Tax Savings

The healthcare and dependent care spending accounts are designed for one purpose: to allow you to pay for certain expenses on a before-tax basis. Your taxable income is reduced by the amount you contribute to the accounts.

Your participation in the flexible spending accounts may reduce your Social Security retirement benefits. But the current tax advantages generally offset any reduction in Social Security benefits. Since your Social Security taxes will be calculated after your FSA contributions are subtracted, your Social Security benefits may be slightly lowered.

ⓘ **How much can you save on taxes?**

Take the amount you will contribute to the dependent care and healthcare spending accounts times your federal tax percentage bracket to determine how much federal taxes you save. You may also save on Social Security and Medicare taxes, and depending on where you live, state and local taxes.

Account Statements

You may obtain account information any time by phone or by accessing the website. Call Cigna at 1-855-247-0884, 24 hours a day, 7 days a week.

In addition, each time you receive a reimbursement, the accompanying attached explanation provides a summary of year-to-date activity for you.

Healthcare Flexible Spending Account

Contributions

You can contribute whole-dollar amounts from $50 up to the maximum allowed per IRS guidelines annually to the healthcare spending account. Contributions are deducted from your pay each pay period and credited to your flexible spending account.

Healthcare Expenses

You can use the healthcare flexible spending account to pay for certain medical, dental, vision care, prescription, and prescribed over-the-counter drug expenses for you and your eligible dependents that have not been otherwise reimbursed.

Expenses for medicine or drugs are reimbursable only if the medicine or drug (i) requires a prescription, (ii) is available without a prescription and you obtain a prescription for it, or (iii) is insulin.

The term "eligible dependents" is defined in the Glossary.

You and your Eligible Dependents do not have to be covered under the Company's medical, dental, or vision plans to participate in the healthcare spending account. In general, you may be reimbursed for any healthcare expense that is not paid for by an insurance plan and is considered a deductible medical expense by the Internal Revenue Service.

ⓘ **Refer to IRS Publication 502 for more information on eligible medical care expenses. To order a copy, call the Internal Revenue Service toll-free at 1-800-829-3676 or visit the IRS website at www.irs.gov.**

Note: IRS Publication 502 is intended to help taxpayers determine what medical expenses can be deducted on their tax return, not what is reimbursable under a healthcare spending account. Some of the statements in IRS Publication 502 are not applicable when determining whether that same expense is reimbursable from your healthcare spending account. Not all expenses that are deductible are reimbursable under the healthcare spending account and vice versa.

Expenses Not Eligible

Examples of healthcare expenses that are ineligible for reimbursement through the account include:

- Healthcare insurance premiums
- Expenses incurred before your date of participation
- Expenses reimbursed or reimbursable through any other policy, plan, or program
- Expenses claimed as a deduction or credit on your federal income tax return
- Elective cosmetic surgery
- Orthodontia for cosmetic purposes
- Teeth-whitening procedures
- Marriage or family counseling fees
- Household and domestic help, even if recommended by a doctor
- Custodial care in an institution
- Funeral and burial expenses
- Illegal operations or treatments
- Weight-loss programs, unless prescribed by a doctor to treat an existing disease/medical condition
- Maternity clothes, diaper services, etc.
- Vitamins or food supplements taken for general health purposes
- Cosmetics, toiletries, etc.
- Hair transplant or removal
- Transportation expenses to and from work, despite a physical handicap
- Expenses merely beneficial to health, such as vacations or fitness programs, even if recommended by a doctor
- Any expenses incurred after you stop making contributions
- Over-the-counter drugs that are not prescribed

Continuation of Coverage

You may be eligible to continue your healthcare spending account participation in certain cases when your participation would otherwise end. You may not, however, continue your participation in the dependent care spending account. Refer to COBRA within the “Administrative Information” section.

Dependent Care Flexible Spending Account

Contributions

You may contribute to the Dependent Care Flexible Spending Account if you have Eligible Dependent care expenses (that is, you incur expenses to enable you to work). If you are married, you may contribute to this account only if your spouse is:

- Gainfully employed outside the home
- Actively searching for a job
- Enrolled as a full-time student at least 5 months of the year
- Mentally or physically disabled and unable to provide care for himself or herself

If your spouse's employment ends during the year, you should contact your Company's benefit office immediately because you may no longer be eligible to participate in this account.

You can contribute in whole dollars from $50 up to the maximum allowed per IRS guidelines annually in before-tax dollars to your Dependent Care Flexible Spending Account. In some cases, however, the IRS limits the amount you can contribute.

Eligible Dependents

You may use the Dependent Care Flexible Spending Account to pay for the care of your Eligible Dependents so you, or if you are married, you and your Spouse can work. Eligible Dependents include:

- Your children under age 13
- Your spouse, if he or she is physically or mentally incapable of caring for himself or herself and has the same principal place of abode as you for more than one-half of the year
- A disabled dependent of any age (including parents) if he or she is physically or mentally incapable of caring for himself or herself and has the same principal place of abode as you for more than one-half of the year

An Eligible Dependent is someone you can claim as a dependent on your federal income tax return. A modified definition of dependent applies when determining whether a person who is incapable of self-care (other than a spouse) is a tax dependent. The married dependent limitations and gross income limitation do not apply.

If you are divorced or legally separated and have custody of your eligible child, you may use the Dependent Care Flexible Spending Account even though you have agreed to let your spouse claim the child as a dependent for tax purposes. If you have joint custody, you may also use the Dependent Care Flexible Spending Account provided you have custody of your child for a longer period during the year than your spouse.

Eligible Expenses

Expenses eligible for reimbursement are those incurred to enable you to work and include:

- Services provided in your home by a babysitter or companion, including wages and related taxes
- Services provided by a dependent care center that meets local regulations, cares for more than six non-residents, and receives a fee for such services, whether or not for profit
- Services provided outside your home, such as day camp, preschool tuition, or other outside dependent/child care services, such as before- and after-school programs, but only if the care is for a dependent under age 13 or other Eligible Dependent who regularly spends at least eight hours a day in your home

Generally, eligible child care costs include only those for the actual care of your child, not costs for education, supplies, or meals, unless those costs cannot be separated.

Expenses Not Eligible

Expenses that are not eligible for reimbursement through the dependent care spending account include:

- Dependent care provided by your child (or stepchild) who is under age 19 at the end of the taxable year or by another dependent whom you can claim as an exemption
- Dependent care obtained for non-work-related reasons such as babysitting after your working hours
- Dependent care provided while you are away from work because of illness or leave of absence
- Dependent care that could be provided by your employed spouse whose work hours differ from yours
- Expenses for overnight camp
- Dependent care expenses incurred if your spouse does not work, unless your spouse is actively seeking employment, a full-time student, or disabled
- Any expenses you claim for the dependent care tax credit on your federal income tax return
- Expenses paid by another organization or provided without cost
- Transportation to or from the dependent care location
- Care provided in a group care center that does not meet state and local laws
- Agency finder fees
- Charges for referral to dependent care providers
- Costs for after-school educational programs
- Costs for clothing, entertainment, or food
- Educational expenses (such as those for private school) for kindergarten or higher
- Expenses incurred before you began contributing to the account or after you stop contributing

Dependent Care Flexible Spending Account vs. the Federal Tax Credit

Under the current tax law, you can save taxes on dependent care expenses by either claiming a tax credit on your federal income tax return or by participating in the dependent care spending account. Both are intended to offer you tax savings. The best method for you depends on your income, the number of eligible dependents you have, and other factors. However, for most people, using the dependent care spending account provides a greater tax advantage.

You may use both approaches, but you may not “double deduct” the same expense. In addition, the expenses you apply toward the tax credit will be reduced dollar for dollar by the amount of expenses reimbursed from your account.

You should consult a personal financial or tax advisor to help you decide whether the tax credit or the Dependent Care Flexible Spending Account is more favorable for you.

ⓘ **Refer to IRS Publication 503 for a discussion of the tax credit. To order a copy, call the IRS toll-free at 1-800-829-3676 or visit the IRS website at www.irs.gov.**

Filing Claims

When you have an Eligible Dependent care expense, you must pay the provider and then submit a flexible spending account reimbursement request form, along with a bill or receipt, to the claims administrator at the address on the bottom of the form. Be sure to include the dependent care provider’s Social Security or tax identification number on the form. The annual deadline for filing prior year claims is June 30. You will also have to provide the caregiver’s name, address, and taxpayer identification number (or Social Security number) on IRS Form 2441 when you file your federal income tax return. If you cannot supply this information, you should not use the Dependent Care Flexible Spending Account.

ⓘ **To obtain IRS Form 2441, call the IRS at 1-800-829-3676 or visit the IRS website at www.irs.gov.**

You will be reimbursed for the lesser of your current account balance or the amount of the claim. If you submit a claim for an amount that exceeds your account balance, you will be reimbursed for the remainder of the claim after you have made sufficient additional contributions for that year to cover the expenses.

Payment of eligible expenses incurred, received, and processed will be made weekly.

Reimbursement forms are available from the Benefit Plans Office or by accessing the Benefit Plans website.

Remaining Funds

Estimate your Dependent Care Flexible Spending Account contributions carefully. You may continue to file claims for expenses incurred during the plan year until June 30 of the following year. According to IRS rules, you must “use up” amounts deducted from your pay by incurring and filing claims for eligible expenses. Otherwise, you lose the money you have left in your account.

Any forfeited amounts will be used to offset the plan’s administrative expenses.