METROPOLITAN COMMUNITY COLLEGE

**PAYFLEX FLEXIBLE SPENDING ACCOUNTS**

**PLAN YEAR: JANUARY 1 - DECEMBER 31**

**Maximum Contributions**

## Health Care Account – $2,650 IRS maximum

* Dependent/Child Care Account - $5,000 IRS maximum

**Annual Open Enrollment**

 New full-time and part-time regular employees are eligible to enroll in a PayFlex flexible spending account (FSA) the first of the month following their beginning date of employment. Eligible employees may also enroll during the annual open enrollment each November. Current PayFlex participants must re-enroll each year or their PayFlex deductions will automatically end on December 31st. You may participate in PayFlex even if you and/or your family are not enrolled in MCC’s health and dental plan.

##### Advantages of Flexible Spending Accounts (FSA)

A flexible spending account can reduce your taxes and increase your take-home pay because **you don’t pay any Federal, State or Social Security taxes on the earnings you elect to contribute to a FSA account.** On average, PayFlex participants save 30% in taxes by paying their out-of-pocket health care and day care expenses through a FSA.

IRS eligible medical expenses include, but are not limited to:

* Deductible
* Office visit co-pays
* Prescription drug co-pays
* Health and dental co-insurance amounts
* Eye exams
* Eyeglasses and contacts lenses
* LASIK surgery
* Orthodontia

Ineligible Expenses: Procedures and other expenses solely for cosmetic reasons generally are NOTeligible. In addition, expenses that are merely beneficial to one’s general health are usually not considered eligible expenses; however, in some cases, you may be able to provide PayFlex with a letter of medical necessity from your attending physician to substantiate your claim. Over-the-counter drugs and medicines are also considered *ineligible* expenses unless you submit a prescription from your physician.

**Pre-Taxing Insurance Premiums**

MCC employees are given the opportunity to pre-tax health and dental premiums at the time of enrollment. Group insurance premiums through another employer’s health plan (i.e., spouse’s employer) or personal insurance premiums are NOT eligible expenses under a PayFlex flexible spending account.

**PayFlex Debit Cards Make It Convenient**

The PayFlex debt card is a MasterCard you can use to pay for eligible healthcare expenses such as prescription drugs, office visit copays, eyeglasses, and contact lenses. When you use the debit card, the money comes right out of your PayFlex account, improving your cash flow.

IMPORTANT: You can use the debit card for IRS-qualifying expenses, but you must provide PayFlex with documentation to substantiate expenses upon request, so keep ALL debit card receipts in a safe place. *Substantiation* consists of providing PayFlex with documentation such as an Explanation of Benefits (EOB) or an itemized statement to verify your purchases were eligible expenses and were incurred during the Plan Year. If you do not have documentation to support the card transactions, you can submit another claim to cover the expense (substitute claims are only allowed from the current Plan Year) or reimburse your account for the outstanding transaction(s) by mailing a personal check to PayFlex. For more information, go to [www.PayFlex.com](http://www.healthhub.com) and search on “Substantiation.”

**Grace Period**

Eligible expenses must be incurred during the Plan Year (orthodontia must be paid during the Plan Year, but not necessarily incurred during the Plan Year); however, the Grace Periodgives health care participants an **additional 2 months and 15 days** following the end of each plan year to in*cur* eligible medical expenses to help avoid forfeiture of unused contributions.

In other words, healthcare account participants have until March 15 of the following year to continue *incurring* eligible expenses to help use up any remaining balance from the previous Plan Year. Eligible expenses that were incurred on/before March 15 must be *filed for reimbursement* by March 31.**Any amount not used by the end of the Grace Period will be forfeited.** The grace period does NOT apply to dependent care accounts. For more information, go [www.payflex.com](http://www.payflex.com).

**PayFlex Website**

[PayFlex.com](https://www.payflex.com/) is designed to be intuitive and user-friendly, delivering information you can use to make smarter, more informed decisions. You’ll find convenient online planning and tracking tools for your expenses, view debit card transactions, claims history, file claims, order additional debit cards, etc.

**Child Care/Dependent Care Spending Accounts**

A PayFlex child care/dependent care account allows you to pay for out-of-pocket child care and/or adult daycare expenses that are incurred to enable you (and your spouse, if married) to be gainfully employed on a tax-free basis. “Gainful employment” does not include unpaid volunteer work or work for a nominal salary.  **If married and your spouse is disabled, a full-time student, or earns less than you, lower limits may apply.**

The expense must be incurred for services rendered during the Plan Year to which it applied and PayFlex debit cards can NOT be used for child care/dependent care expenses. For details regarding the applicable IRS regulations, refer to [IRS Publication 503](https://www.irs.gov/pub/irs-pdf/p503.pdf).

The dependent care account reimburses dependent day care expenses necessary while you (and your spouse, if you're married) are attending school on a full-time basis or working. Typically, these would be day care expenses for children, but you can also use this account to reimburse day care for other dependents, such as spouses, parents, or grandparents, who cannot care for themselves. Your dependent must live in your home at least eight hours a day. Allowable expenses include those for care provided in your home, a sitter's home, or a day care facility. Expenses for certified all-day kindergarten programs are not eligible.

Special considerations for the dependent care FSA

Per IRS rules, married individuals who file separate tax returns are limited to a $2,500 contribution annually. You may contribute up to $5,000 if you are married and file a joint tax return, provided both you and your spouse each earn more than $5,000 annually. If one of you earns less than $5,000 during the year, you are limited to a maximum spending account contribution equal to the salary of the lowest-earning spouse.

Time spent by a student spouse in educational endeavors is considered working for the purposes of opening an FSA. Volunteer work does not qualify. If both you and your spouse work, you must coordinate your dependent day care enrollments so that the two of you together stay within the $5,000 annual maximum.

You may only claim dependent care expenses on children age 12 and younger, unless the dependent is disabled.

IRS limitations on flexible spending accounts

Expenses reimbursed from an FSA cannot be claimed as part of the dependent care tax credit on your tax return.

Only expenses actually incurred during the calendar year are eligible for reimbursement. Expenses incurred before or after the eligibility period are not eligible, regardless of when you paid for the expenses. FSAs may not reimburse for future or projected expenses.

If you do not use all the pre-tax dollars in your flexible spending account, you forfeit the amount left over. That's an Internal Revenue Service requirement.

[Requirements for Getting Reimbursed for Day Care Expenses](https://www.payflex.com/mypayflex/faq.htm?faqCategory=14&cmsContext=1#faq606):

* You and your spouse must be earning an income, seeking employment, or be a full-time student. Volunteer work or working for a nominal salary is not an acceptable form of employment.
* **Expenses incurred** **must be work-related**. The amounts paid while you are off work due to illness (including leave following the birth of a newborn) are NOT eligible unless it is “short and temporary.” Two weeks or less is considered a short and temporary absence.
* The day care expenses must be for a **qualifying individual**. This includes a dependent of yours who is under age 13, or a spouse or other dependent who is physically or mentally incapable of self-care and for whom you can claim as an exemption.
* The services must be provided by an **eligible provider of child care**. This includes a licensed child care facility that complies with applicable state and local laws, and any individual who is not your tax dependent or is your child who is 19 or older.
* The expense must be for services already received and not services to be provided in the future. **For example:** If you prepay for a summer day camp for your child, reimbursement cannot be provided until after your child attends the camp.
* **The annual expense reimbursement may not exceed the lesser of:**
1. Your earned income OR if married, your spouse’s earned income; OR
2. $5,000 ($2,500 if married, filing separate income tax return).
* You must file Form 2441 annually with your individual tax return identifying all dependent care providers. Consult your tax advisor if you have specific questions.

Qualifying child care/dependent care providers include:

1. Au pair expenses for dependent care (does not include travel expenses)
2. Babysitter inside or outside household
3. Before & After school or extended day programs (supervised activities)
4. Custodial child care or elder care expenses for qualifying individual
5. Day camps, if primary reason is custodial in nature, not educational. (Summer school expenses are NOT eligible.)
6. Summer Day Camps (NOT overnight camps--not even the portion attributed to the daytime costs)
7. Day care centers and late pick-up fees
8. Nanny expenses or household employee whose services include care of a qualifying person
9. Preschool/Nursery school for pre-kindergarten
10. Sick-child care center to extent the care is not for medical services

**How to File a Claim for Reimbursement for Dependent Care**

Dependent day care claims should be submitted following the completed dates of service. You can file claims using [www.payflex.com](http://www.payflex.com).PayFlex will check your Dependent Care account balance to determine how much is available for reimbursement. If the amount of the claim is less than your available balance, then the entire claim can be reimbursed. If the amount of the claim is greater than your available balance, you will only be reimbursed the amount that is available in your dependent day care account.

**Eligible Changes to Your PayFlex Election(s) During the Plan Year**

According to IRS regulations, generally employees may start, stop or change pre-tax elections for health and dental premiums or PayFlex elections mid-year ONLY if the employee experiences an IRS-qualifying change-in-status event,and the employee **contacts Human Resources within 30 days from the date of qualifying event to request a mid-year change.** Any election change must be due to and consistent with the reason the change was submitted.

The following are general examples of qualifying events; however, depending on the particular circumstances of the event, certain events do not qualify for mid-year changes:

* Legal marital status: Marriage, divorce, legal separation, annulment or spouse’s death
* Number of dependents: Birth, adoption, placement for adoption or death of a dependent
* Employment status: Employee’s, spouse’s, or dependent’s termination or commencement of employment
* Work Schedule:
	+ Employee’s, spouse’s or dependent’s reduction or increase in hours of employment
	+ Switch between part-time and full-time work
* Commencement or return from an unpaid leave of absence
* Dependent satisfying or ceasing to satisfy coverage requirements such as reaching the limiting age under health insurance plan
* A change in the employee’s, spouse’s or dependent’s residence or worksite.
* Entitlement to COBRA continuation coverage
* Gain or loss of Medicare or Medicaid entitlement
* Receipt of a qualified medical child support order (QMED).

 Participants **cannot** change their election amounts mid-year if you:

* cannot afford the deductions and want to decrease or stop contributions;
* have an unforeseen expense and need the money for something else; or
* incur a medical or dependent care expense that are larger or smaller than anticipated, unless accompanied by an IRS-qualifying change-in-status event.

**Important Points to Remember**

* Money contributed to PayFlex accounts, but not used by the end of the Plan Year, is forfeited by the employee; therefore, it is recommended that you only elect to deposit amounts for predictable expenses that will be incurred during the Plan Year. **If in doubt, be conservative!**
* Eligible expenses must be incurred during the Plan Year. The only exception is orthodontia that must be paid during the Plan Year, but not necessarily incurred during the Plan Year.
* **For medical spending accounts only**, participants have an additional 2½ month Grace Period (March 15) to incur eligible expenses. (Refer to “Grace Period” above.)
* Reimbursement claims for eligible expenses that were incurred on/before March 15, must be submitted to PayFlex within 90 days from the end of the Plan Year (known as the “run out period.”) **The participant will forfeit any balance remaining at that time.**
* You can use a PayFlex account for eligible medical expenses for your spouse and/or dependent children, even if they are not covered under your health insurance.

**Termination of Employment During the Plan Year**

Health Care Accounts:Eligible health care expenses must be incurred during the employee’s term of employment. However, participants may be able to continue through the end of the Plan Year if they have not used all of their health care account contributions, by paying “after-tax” contributions to the Plan, according to the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Reimbursement claims for eligible expenses must be submitted within 90 days from the end of the Plan Year (“run out period.) **The participant will forfeit any balance remaining at that time.** Only active employees are eligible to use the 2½-month grace period.

Child Care/Dependent Care Accounts:Eligible child care and adult day care expenses incurred after termination of employment, but before the end of the Plan Year, are eligible for reimbursement up to the balance of participant’s account at the time of termination. Reimbursement claims must be submitted within 90 days from the end of the Plan Year**. The participant will forfeit any balance remaining at that time.**  The grace period and COBRA are NOT available for child care and dependent care accounts.

**PayFlex Advocate**

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| Website: www.payflex.com |  |
| Customer Service: 1-844-PAYFLEX (1-844-729-3539), Mon-Fri, 7am-7pm, Sat 9am-2pm[Download PayFlex Mobile App](https://www.payflex.com/mobile-app) for I-Phones or Androids |  |
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This summary does not include all of the specific provisions of Metropolitan Community College's Flexible Compensation Plan Document nor the IRS regulations. Employees wishing more inclusive information may inspect the Plan Document on file in the Human Resources Office.

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