
City of Maryville
Human Resources Department



DATE: November 6, 2017
TO: All City Employees
FROM: Leslie Crawford, Human Resources

MEMO

SUBJECT: Open Enrollment for 2018 Flexible Spending Accounts

It's time again to consider enrolling in a Flexible Spending Account for the 2018 calendar year. Establishing a Flexible Spending Account allows you to pay for certain out-of-pocket expenses with money set aside from your paycheck before taxes are taken out. Two types of Flexible Spending Accounts are available:

Health Care - You can set aside pre-tax dollars as payroll deductions to cover eligible expenses not reimbursed by your medical, dental or vision plan, including co-pays for doctor visits, vision care, prescription drugs and over-the-counter medical supplies (not over-the-counter medicine).

Continuing on the Ineligible list for 2018: over-the-counter medicines of any kind - such as cold medicines, fever-relieving medicines, cough drops, throat sprays, vitamins or supplements (even with a doctor's note), smoking-cessation medications, etc. – basically, ANY over-the-counter medicine.

Qualified expenses can be for you or any of your eligible dependents. Eligible dependents are your spouse and **unmarried children who you can claim as a dependent on federal income taxes**. Your entire annual election amount is available for reimbursement at any time during the plan year.

Maximum annual contribution allowed for 2018 is \$2500.

Examples of Health Care Spending Account Qualified Expenses

- Medical/dental plan deductibles, co-pays and co-insurance
- Labs, x-rays, outpatient procedures, ER visits, etc.
- Non-cosmetic dental work, including orthodontia
- Prescription drug co-pays
- Eyeglasses/contacts/vision correction surgery
- Hearing aids
- Over-the-counter supplies such as thermometers, contact lens solutions, bandages, etc. Sales tax on these items is also reimbursable.

Dependent Day Care - You can set aside pre-tax dollars as payroll deductions to cover daycare or after-school care expenses so you and your spouse can work. To be eligible, the dependent must live with you and be 12 or under. Maximum annual contribution is \$5,000, or \$192.31 per pay period.

Examples of Dependent Care Spending Account Qualified Expenses

- Expenses related to the care of children age 12 and under which allows you or your spouse to work – family or corporate daycares, private homecare, after-school programs and summer camps or other summer programs are eligible.
- Expenses related to the care of your disabled dependent over age 12 or disabled spouse so that you can work

How A Spending Account Works

1. You set the spending account up on an annual basis beginning January 1.
2. The money for your account is divided by 26 pay periods and deducted from your pay before taxes are taken out.
3. You and/or your eligible dependents receive qualified services.
4. You provide documentation of your out-of-pocket expenses to the Human Resources Department. The expense must have been incurred during 2018.
5. You receive reimbursement through your regular paycheck.

How A Spending Account Can Help You

A spending account offers you a way to pay for out-of-pocket expenses with money you set aside before any taxes are taken out. Without a spending account, you would still pay for these expenses, but you would use money remaining in your paycheck after federal taxes are withheld.

Factors Which May Affect Your Decision To Participate

- Once enrolled, you cannot stop or change your contribution until January 1, 2019, unless you have a change in family status, change in spouse's employment, or experience a significant change in health insurance coverage.
- Spending accounts have a "use it or lose it" rule. For expenses incurred in 2018, you have until March 31, 2019 to submit documentation for reimbursement. You lose any money left in a 2018 spending account after March 31, 2019.
- The deductions are exempt from federal and social security tax. Your social security benefit may be somewhat reduced since you and the City are both paying less social security on your behalf.
- Expenses reimbursed from a spending account cannot be claimed as deductions on your income tax return.

Reimbursements are processed through the payroll system. This means that your money is automatically deposited along with your regular earnings. Of course, the reimbursement portion of your paycheck will NOT be subject to taxes. You are able to receive your flex reimbursements each pay period. Documentation of your expenses must be submitted to Human Resources by the Wednesday before the end of each pay period. Reimbursement forms for this purpose will be available on the employee portal or may be obtained from HR.

Remember, your previous spending account elections DO NOT carry over from year to year. You are required to re-enroll during each annual enrollment. The attached enrollment form must be returned to Leslie Crawford in Human Resources by Friday, December 15!



**City of Maryville
Flexible Benefit Plan
Enrollment/Election Form
Effective Date: January 2018**

- Open Enrollment
 Change of Status

Employee Name (Last, First, Middle)

**Employee ID Number
(NOT SS #)**

Your salary reduction is made on a pre-tax basis in accordance with IRC Section 125 guidelines. Requests to change contribution amounts due to a qualifying change in family status must be made within 30 days of the event to change contribution amounts and must be consistent with the reason for the family status change.

I hereby authorize The City of Maryville to reduce my 2018 per pay period earnings by the following amount(s) for deposit into my flexible spending account (26 pay periods):

Health Care \$ _____ per pay period amount X 26 = \$ _____ annual amount
(Maximum: \$2500 annually)

Dependent Care \$ _____ per pay period amount X 26 = \$ _____ annual amount
(Maximum \$5000 annually)

I understand that I will forfeit any unused balance in my account at the end of the year and that this agreement is irrevocable for the current plan year unless I have a qualifying change in family status.

AUTHORIZATION: I understand that any amounts remaining in my account(s) not used for eligible expenses incurred during the plan year will be forfeited in accordance with current plan provisions and tax laws. I further understand that the Flexible Spending reduction(s) will be in effect for the plan year and cannot be revoked unless I experience (1) certain changes in family status; (2) significant cost or coverage changes; (3) separation from service; or (4) cessation of required contributions.

ACKNOWLEDGMENT: I acknowledge that the options available under this plan and the workings of the plan have been explained to me. I understand the advantages and disadvantages of each option, and I have made my election choices after careful consideration of my personal circumstances.

Signature: _____

Date: _____

MEDICAL FSA WORKSHEET

Take the time now to consider what expenses you pay out of your pocket during the year. Tally those costs up and divide by 26 (the number of pay periods in a year) to determine the income you can save tax dollars on each pay period.

1. Physician office visit co-pays anticipated\$ _____
 2. Specialist office visit co-pays anticipated\$ _____
 3. Prescription drug co-pays\$ _____
 4. Eye glasses, contact lenses and supplies\$ _____
 5. Dental expenses not covered by dental insurance\$ _____
 6. Orthodontic expenses not covered by dental insurance \$ _____
 7. Annual deductible (if applicable).....\$ _____
 8. Medical equipment and supplies\$ _____
 9. Other medical\$ _____
 10. Other medical\$ _____
- Total estimated annual medical reimbursable expenses\$ _____***

DEPENDENT CARE FSA WORKSHEET

1. Annual cost of child or dependent care\$ _____
- Total estimated annual dependent care reimbursable expenses\$ _____***
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Use the totals to determine your 2018 FSA contribution. Complete the Enrollment Form (p. 3) and return to Leslie Crawford in Human Resources on or before **Friday, December 15.**