

## **SKIDMORE COLLEGE**

### **FLEXIBLE SPENDING ACCOUNTS**

The Flexible Spending Accounts are composed of two funds: a Health Care Spending Account and Dependent Care Spending Account. These accounts are also known as Health Care Reimbursement Account (HCRA) and Dependent Care Reimbursement Account (DCRA). As a newly hired benefit eligible employee, you can establish these accounts to help pay for certain uninsured health care expenses and dependent day care expenses with tax-free dollars incurred as of your benefit eligibility date and prior to the 1st of the following year. As a continuing employee, you can change the amount of your annual election during any open enrollment period to be effective the following January 1.

Employees who change to a non-participating status, or who leave college employment, can not submit bills for services to their health care spending account beyond the date they participate in the Flexible Benefits Program unless they elect COBRA. That election allows the opportunity to continue funding the health care spending account on an after-tax basis and to continue submitting expenses through the remainder of the calendar year. Otherwise, affected employees will have 90 days from their non-participation status date to submit expenses incurred while participating in the plan for reimbursement. Participants in the dependent care spending account can continue to submit claims after their last day worked (non-participating status date) at the College as long as they are looking for employment, working, are a full-time student attending an educational institution, or incapacitated.

#### **Salary Reduction Contributions**

Employees can elect to contribute tax-free up to \$2,500 per calendar year to a Health Care Spending Account to pay for eligible expenses. The Dependent Care Spending Account allows you to contribute tax-free up to \$5,000 (or \$2,500 if married and filing separately) per calendar year. As a newly hired employee, you should indicate the total amount you want deducted from your paychecks for the remainder of the benefit year (calendar year). You will have the opportunity to adjust this amount during open enrollment each year for the following benefit year (calendar year beginning January 1). Please note that married couples who are both employed at the College, and who are both eligible to participate in the Dependent Care Spending Account, can not exceed the limit on a combined basis.

#### **Health Care Spending Account**

You can use your Health Care Spending Account to pay for out-of-pocket expenses for yourself, spouse, and eligible children associated with health and dental care services. See page 23 for a partial list of eligible expenses. Contributions to the Health Care Spending Account will be credited to your account on a prorated basis over the Plan year. The College's third party administrator will reimburse expenses up to your annual election on a daily basis. Health Care Reimbursement forms may be obtained from Human Resources or downloaded from <http://cms.skidmore.edu/hr/benefits/index.cfm>. Please choose "Forms." You will also be able to utilize a debit card available to all plan participants.

## **Dependent Care Spending Account**

The Dependent Care Spending Account reimburses dependent care expenses for children under the age of thirteen (13) or for other dependents including, but not limited to, your legally dependent parents if you are single and require dependent care so you can work, or you are married and require dependent care so both you and your spouse can work, or if your spouse is a student. You can not use this account if you are married and your spouse does not work or is not a student.

Subject to the above conditions, and as long as receipts are submitted with your provider's tax identification number or Social Security number, your Dependent Care Spending Account reimburses the following expenses:

- Licensed nursery or day care center;
- Individuals (not including your dependents) who provide care for your eligible dependents in or outside your home; or
- Housekeepers in your home (including their food and lodging) hired to care for an eligible dependent.

Contributions into the Dependent Care Spending Account will be credited to your account on a prorated basis over the Plan year. The College's third party administrator will reimburse expenses submitted up to your account balance on a daily basis. Any amount submitted by you in excess of your account balance will be automatically processed once additional contributions are credited to your account. Reimbursement forms are available from Human Resources or can be downloaded from <http://cms.skidmore.edu/hr/benefits/index.cfm>. Choose "Forms." You will also be able to utilize a debit card available to all plan participants. If your dependent care provider accepts debit cards, you will be able to "debit" your account balance each month as long as you have sufficient funds in your account.

## **Tax Effective Reimbursement**

Currently, you must pay for miscellaneous non-reimbursable health and dependent care expenses after you cash your paycheck and after taxes have already been deducted. The annual limits for these accounts are published by the Internal Revenue Service in IRS Publication 15-B ([www.irs.gov](http://www.irs.gov)).

With a Spending Account you can pay for many of these expenses on a tax-free basis. By directing a portion of your pay to a Spending Account, you actually reduce the amount of salary on which you will pay taxes. For instance, if you earn \$25,000 and decide to contribute \$2,500 to your Health Care or Dependent Care Spending Account, your gross income as reported on your W-2 form will be \$22,500. Instead of paying federal, state and Social Security taxes on \$25,000, you pay taxes on \$22,500. You will pay less tax on your salary, and you will have money set aside to pay for eligible health and/or dependent care expenses. Please note that retirement benefits are calculated on your unreduced base salary (\$25,000 in the above example).

## **Example of Tax Savings Provided by Spending Accounts**

Ann decides to contribute \$665 per year for health and dental care expenses and \$2,335 per year for dependent care expenses. She is in the 28% Federal income tax bracket and the 6.85% New York

State income tax bracket. Accordingly, her tax savings will be as follows:

Health Care spending account	\$ 665
Dependent Care spending account	<u>2,335</u>
Total before tax contribution	<u>\$ 3,000</u>
FICA tax savings (FICA rate is 7.65%)	\$ 230
Federal income tax savings (28% bracket)	840
New York State income tax savings (6.85% bracket)	<u>206</u>
Total tax savings	<u>\$ 1,275</u>

## Debit Card

All participants in the Flexible Spending Accounts will receive a Visa debit card from our third party administrator. Wherever possible, you will be able to “swipe” your debit card at your physician’s office or pharmacy and pay your copay without writing your own check. If your day care provider accepts Debit Cards or Visa Cards, the same will hold true for this benefit. You will also be able to go online with our third party administrator and look up your available balance. If you elect a spending account in future years, your current debit card will be adjusted each year. More detailed information can be reviewed at: <http://cms.skidmore.edu/hr/benefits/benefitsprograminfo.cfm>

## What Else Should You Consider?

- If there is a balance in your spending account at the end of the plan year (calendar year), you may submit expenses incurred within 60 days following the end of the Plan Year toward your balance. Since there is some risk involved, you should designate funds into a Spending Account if you know you will incur expenses. The College will apply any forfeited benefit dollars to the College benefit budget for the following year.
- The maximum annual amount you can contribute tax-free to a Health Care Spending Account per plan year is \$2,500 per employee. Amounts will be deposited into your Spending Account prorated over the plan year and paid to you as services are incurred up to the amount of your annual election.
- The Dependent Care Spending Account allows you to contribute tax-free up to \$5,000 (or \$2,500 if married and filing separately) per calendar year. Amounts will be deposited into your Spending Account prorated over the plan year and paid to you as services are incurred up to the amount deposited into your account. (This is different than the Health Care Spending Account). Please note if you and your spouse are benefit eligible employees, you can not contribute more than \$5,000 between you.
- Important - please note: Depending on your income level and amount of annual dependent care expenses, it may not be in your best interest to establish a Dependent Care Spending Account. Current IRS regulations may allow you to take a credit against your income taxes for qualifying child and dependent care expenses. Both the Federal and the New York State credits vary based on income level. You may not take advantage of the Federal and New York State child and dependent care credits on your tax return for dependent care expenses paid from a Dependent Care spending account. Due to changes in tax code and

individual circumstances, it is best to check with your tax advisor for current credits and advice. You may also refer to IRS Publication 503 and/or IRS Publication 15-B for additional information concerning child and dependent care expenses as well as any updated limits and/or Federal credits.

- Once you designate an amount into a Spending Account, the dollars cannot be increased or reduced unless you incur a change in status as outlined on page 8, incur a significant cost change in your dependent care expenses, or until the following plan year.
- By Federal law, you can not transfer funds from one Spending Account to the other.
- You need to submit proper documentation in order to be reimbursed, so you should obtain bills or itemized receipts for all expenses for which you want to be reimbursed. When you are requesting reimbursement from your Health Care Spending Account, and the services are covered under an insurance plan, it is necessary to submit a copy of the explanation-of-benefits statement to be reimbursed for any balance.
- It is not necessary to include individual bills when you are submitting an explanation-of-benefits statement from your insurance provider.
- You will receive periodic statements that will tell you the status of your Spending Accounts (i.e. "deposits," reimbursements, and your balance) and you can review your balance online. The link and instructions to do so are on the Human Resources web page at the following web site: <http://cms.skidmore.edu/hr/benefits/benefitsprograminfo.cfm>.
- Expenses can be submitted through March 31 of the following year for services incurred for the previous plan year.
- You can not submit eligible expenses incurred after your termination date or the date your eligibility status changes to non-participation in the Flexible Benefits Program (see page 8). You have 90 days after this date to submit expenses for reimbursement.