The Flexible Spending Account (FSA) allows you to pay some health and dependent care expenses with before-tax dollars. As a result, you pay less federal, state and Social Security taxes and you have more take-home pay. There are two FSA reimbursement accounts: The Dependent Care Reimbursement Account (DCRA) and the Health Care Reimbursement Account (HCRA). The DCRA is for reimbursement of dependent care costs you must pay to enable you and your spouse (if married) to work. The HCRA is for reimbursement of qualified health care expenses for you and your dependents that are not covered by insurance. **You cannot participate in the HCRA if you are enrolled in the HSA plan.**

- **How the FSA Plan Works**

The amount you elect to contribute for the year will be divided into equal amounts and deducted from your paychecks on a before-tax basis over 24 pay periods (two per month). If you are hired mid-year, the deductions will be based on the remaining pay periods left in the year after your eligibility date.

- **Reimbursement**

UMR administers our Flexible Spending Accounts. There will be "automatic claims submission" - - employees who participate in the PPO plan will be automatically reimbursed for medical and pharmacy out-of-pocket expenses without filing a claim. If you want to opt-out of the automatic claims submission feature or you are covering your non-dependent adult children in the medical plan, log into umr.com or contact UMR customer service at 1-800-826-9781.

A debit card is available with your health care account. If you want to sign up for a debit card, go to umr.com or contact UMR customer service at 1-800-826-9781.

If you want to sign up for direct deposit of your reimbursements, go to umr.com or contact UMR customer service at 1-800-826-9781.

As you incur other expenses, such as dental expenses or dependent day care charges, you may submit claims for reimbursement to UMR. Both health care and dependent care claims can be submitted at umr.com.

For additional information regarding claims and reimbursement, go to umr.com or contact UMR customer service at 1-800-826-9781.

You can only be reimbursed for expenses defined by both the IRS and the plan as eligible. For a list of eligible expenses, visit umr.com. Eligible health care expenses are also outlined in IRS Publication 502.

- ***Claims Deadline and Carryover***

You must submit your 2021 claims for reimbursement no later than **February 28, 2022. Any money left in your DCRA after that date is forfeited.** You can carry over up to $550 in unused funds in your HCRA into the following year, *with this exception*: if you enroll in the HSA plan during open enrollment, you are not allowed to carry over unused HCRA funds into the following year. **Any unused HCRA funds in excess of the allowed $550 carryover are forfeited.** Be careful when deciding how much to contribute to the plan(s).

- **Determining your Election**

Your election should be based on expenses you and your eligible dependents will incur in calendar year 2022. You can contribute up to $2,750 to the HCRA (in addition to any allowed carryover from 2021) and $5,000 to the DCRA.* For the DCRA, there are some additional guidelines: 1) your contributions cannot be greater than your income or your spouse's income; 2) if your spouse is disabled or a full-time student, he/she is assumed to earn $250 per month for one eligible dependent, or $500 per month for two or more dependents; 3) if your spouse also participates in a DCRA, your combined total contributions cannot exceed $5,000;* 4) if you and your spouse file separate income tax returns, your individual DCRA contribution is limited to $2,500.* Please consult the Summary Plan Description (SPD), available from Human Resources, for additional information.

2022 limits. The IRS has not confirmed 2022 limits as of this printing.

- **Changing your Election**

The amount you contribute cannot be changed during the plan year except under very limited circumstances. A prospective election change based on a change in status event is allowed only if the election change is necessary and consistent with the change in status event, and, for the HCRA, results in a gain or loss of health care insurance. If you have a change in status event that qualifies you to change your contributions, complete and return a family status change form to Human Resources within 30 days of the event.

- **Definition of a Dependent**

For expenses to qualify under the DCRA, the dependent must be: (1) a child under age 13 who lives with you for more than one-half of the year (temporary absences for education, vacation, illness or special circumstances are excluded); (2) a spouse incapable of self-care; or (3) a parent, grandparent or other relative who lives in your home, depends on you for at least one-half of his/her support, who is incapable of self-care and who is claimed by you as a dependent on your tax return. Non-child dependents are not eligible dependents for DCRA if they receive an income in excess of $4,050 per year.

An eligible dependent under the HCRA is: 1) a spouse to whom you are legally married and who is treated as such for tax purposes; 2) a relative or member of your household who is a tax dependent; and 3) any child for whom you must provide benefits under a qualified medical child-support order. If you are married or divorced, you can treat children as eligible dependents if you provide more than half of their support and claim them as dependents on your income tax return.

Reimbursement of out-of-pocket medical expenses for your non-dependent adult children is not allowed under the company flexible spending account ("FSA"). This means that if you cover adult children under the PPO medical plan who are not your tax dependents, you cannot receive reimbursement for their expenses from the health care FSA and you will need to opt out of the FSA automatic claims reimbursement process. To opt-out of the automatic claims reimbursement process, log into umr.com or contact UMR customer service at 1-800-826-9781.

- **Other Points to Remember**

Use it or lose it: IRS rules state that if you have money remaining in your HCRA or DCRA accounts after you have submitted all your claims for the plan year, you lose any remaining amount. However, up to $550 in unused HCRA dollars can be carried over into the following year, provided you do not enroll in the HSA plan during open enrollment. Any remaining money in your HCRA after the allowed carryover is forfeited.

- ✓ **The HCRA** will reimburse your eligible expense up to the total amount you elect to contribute to the HCRA.
- ✓ **The DCRA** will reimburse your eligible expenses up to the amount that is in your account at the time your claim is received.
- ✓ **You must re-enroll every year.** You must re-enroll in the HCRA and/or the DCRA each plan year.
- ✓ **The Plan Year** begins on January 1 each year and runs through December 31. When a person first becomes covered, the first Plan Year begins on the effective date of coverage.
- ✓ **You have until February 28** to submit claims incurred in the prior year.

- ***Federal Dependent Care Tax Credit***

The federal government also provides a dependent care tax credit for those with dependent care expenses. The tax credit is available to most taxpayers. Since you cannot take advantage of both the tax credit and the Dependent Care Spending

Account for the same expenses, it is up to you to determine which of these two tax-saving options saves you more money. For help in determining which option is better for you, consult a qualified tax advisor.

- ***Dependent Care Tax-Reporting***

The W-2 Wage and Tax Statement issued to you after the end of the year will include the amount you contributed to the Dependent Care Reimbursement Account. In order to exclude this amount from your federal taxable wages when preparing your annual tax returns, you must provide the name, address and taxpayer identification number for your dependent care provider. If your dependent care provider is a tax-exempt organization, such as certain church-run daycare services, you may be exempt from this requirement.