

**CAFETERIA PLAN  
AND  
FLEXIBLE SPENDING ACCOUNTS**

**PARTICIPANT  
HANDBOOK**

**PROVIDED BY  
MID-AMERICAN BENEFITS, LLC**

### EXAMPLE OF TAX ADVANTAGE AVAILABLE THROUGH THE FLEX PLAN

Under current tax law, you may establish a tax-free Flexible Spending Account with a portion of your salary, and use these dollars to pay for particular kinds of medical and dependent care expenses.

Estimate only those reasonably, predictable expenses you plan to incur during the contract year. Use the list of Expenses Eligible for Reimbursement. Be conservative. Under current IRS law, you forfeit any remaining balance in your account.

#### EXAMPLE ONLY

	Without Flex Plan	With Flex Plan
Gross Monthly Pay	3050.00	3050.00
Pre-tax Ins. Prem. (Health, Dental, Life, Disability, Cancer)		160.00
Estimated Monthly Medical Expenses not covered under your health plan		75.00
Estimated Monthly Dependent Care Expenses		200.00
Total amount subject to tax	3050.00	2615.00
Less:		
Federal Tax (15%)	457.50	392.25
State Tax (5%)	152.50	130.75
FICA (7.65%)	233.33	200.05
After Tax Income	2206.67	1891.95
After Tax Expenses:		
Ins. Prem.	160.00	
Medical	75.00	
Dependent Care	200.00	
Actual Monthly spendable income	1771.67	1891.95

**Saving: \$120.28 /month x 12 = \$1443.36**

## SUMMARY BENEFITS DESCRIPTION



A cafeteria plan is a type of flexible benefit plan that permits you to determine how your employer's and your own contributions will be allocated among the benefits offered.

If your plan is a simple health insurance premium plan, it has only one objective: to permit you to pay for your share of the cost of insurance premiums with pre-tax dollars. You elect to reduce your salary each month in an amount equal to your share of the insurance premium, and your employer, in return, agrees to provide you with health insurance.

Because health plan premiums are deducted on before-tax basis, special IRS rules apply:

- ❖ You may enroll in this plan only once each plan year during *open enrollment*.
  - ❖ You cannot change your decision until the next plan year, except for a change in family status:
    - Marriage or divorce
    - Birth or adoption of a child
    - Involuntary loss of spouse's health coverage
    - Employment status change to full-time or part-time for you or your spouse
    - Death of spouse or a covered dependent
    - Your dependent satisfying or ceasing to satisfy an eligibility requirement for benefits
- To change your contribution, contact the Payroll Dept. You must change your contribution within one month from the date of your family status change.

If your plan provides Flexible Spending Accounts, it is a benefit allowing you to pay out-of-pocket medical, vision, dental and dependent care expenses with tax-free dollars.

Under current tax law, you may establish a tax-free account with a portion of your salary and use these dollars to pay for particular kinds of medical and dependent care expenses.

- ❖ The amount you choose is deposited by payroll into your flex accounts before federal, state, and social security taxes are calculated. This reduces your taxes so you have more spendable income.
- ❖ Your Social Security benefits may be affected. Social Security benefits are based on the taxes you pay, therefore, your social security benefits could be slightly less.

### EXPENSES THAT QUALIFY:

Two broad categories of expenses qualify for this program:

- Unreimbursed medical-related expenses for you, your spouse and dependents, including medical, dental, vision, and drug expenses that are NOT covered by your health plan and incurred during period of coverage. Period of coverage is a period during which you are eligible to participate in the Plan (from your effective day on the Plan to the end of Plan Year or if you are terminated to the last day of employment). If the Plan is terminated, credits to your medical FSA will be used to provide benefits through the end of plan year in which termination occurs.  
List of eligible medical expenses are enclosed.
- Dependent care expenses incurred while you and your spouse are at work, such as daycare, babysitting, after school care, and summer day camp for children under 12 and care for disabled dependent adults.

Note: If your tax bracket is 15% or less, you will most likely profit by claiming credits for dependent care on your tax return. You have to decide what is more profitable for you, but you cannot do both. It is only Dependent Care Assistance Program through Cafeteria Plan, or Dependent Care Credit on your tax return.

You may establish a flex account for either or both types of expenses. The accounts must be kept separate.

## **SPECIAL RULES:**

In addition to the previously outlined rules for insurance premiums that apply to flex accounts, the following rules also apply:

- **Only custodial parent** can be a Participant in Dependent Care Assistant Program.
- The maximum allowable tax-free amount for dependent care (one or more children):
  - ✓ **\$5000.00** per year if you are married and file joint return or if you are single or head of household for tax purposes. If both parents participate in the plan the total combined contribution cannot exceed this IRS maximum.
  - ✓ **\$2500.00** per year if you are married and file separate federal income tax returns.

## **Carryover of Health FSA Accounts and Use-or-Lose Rule**

- a) An Employee may carry over up to \$610 of unused health FSA amounts remaining at the end of a Plan Year to reimburse medical expenses incurred during the following Plan Year. The carryover of up to \$610 (or a lower amount specified in the Plan) may be used to pay or reimburse medical expenses under the health FSA incurred during the entire Plan Year to which it is carried over. For this purpose, the amount remaining unused as of the end of the Plan Year is the amount unused after medical expenses have been reimbursed at the end of the Plan's run-out period for the Plan Year.
- b) Unused amounts relating to a health FSA may not be cashed out or converted to any other taxable or nontaxable benefit.
- c) The amount that may be carried over to the following Plan Year is equal to the lesser of (1) any unused amounts from the immediately preceding Plan Year or (2) \$610.00 (or a lower amount specified in the Plan). Any unused amount in excess of \$610.00 (or a lower amount specified in the Plan) that remains unused as of the end of the Plan Year (that is, at the end of the run-out period for the Plan Year) is forfeited. Any unused amount remaining in an employee's health FSA as of termination of employment also is forfeited (unless, if applicable, the employee elects COBRA continuation coverage with respect to the health FSA).

You may file **plan year claims** up to the closing period for the plan year (3 months after the end of plan year).

## **OBTAINING BENEFITS:**

As you incur eligible expenses, submit a signed FSA claim form with attached documents to:

Mid- American Benefits, LLC:  
5310 N 99th St.  
Omaha, NE 68134

For medical expenses: the full annual amount of coverage you have elected, less any prior reimbursements during the Plan Year, can be used at any time during the Plan Year.

For dependent care expenses: no expenses can be reimbursed that exceed the payments you have made up to that date. If your claim exceeds your current account balance, the excess part of the claim will be carried over into the following pay cycles to be paid as your balance can cover it. Your dependent care provider can be anyone you do not claim as a dependent for Federal income tax purpose. Also, you cannot claim expenses if the service provider is your child or stepchild under age 19.

**Required attached documents:**

For medical expenses: co-pay receipts, EOBs or **itemized** bills /statements with the date of service, recipient of service, and provider of service (you may keep original documents and send copies with your claim). If your medical expense is not covered by insurance, write it on the bill. If expense is covered by your plan, send a copy of EOB (Explanation of Benefits). Keep a copy of claim and stub of check for your references.

When submitting your claim;

1. Fill out your claim form as completely as possible. Forms without signatures cannot be accepted and will be returned.
2. Submit valid proofs of service
  - Receipts
  - Bills
  - EOB's (Explanation of Benefits) from your insurance company

**They must show;**

- Date of service or expense
- Type of service or expense
- For whom the service or expense was incurred.
- The cost of the service or expense that was incurred.

IRS Regulations do **not** allow us to accept the following as proof of service;

- Bankcard receipts or statements
- Canceled checks
- Estimates
- Statement balances or balance forwards

3. Make copies of your receipts and include them with your claim form
4. Claims can be submitted by fax, mail or online with the copies of your receipts to:  
Mid- American Benefits, LLC:  
5310 N 99th St.  
Omaha, NE 68134

Please submit copies utilizing only one of the options (fax, mail, or online).

For dependent care expenses: receipts with the name of the provider and their tax identification number (social security number for individual providers), the dates of care and the amount paid.

## EXAMPLES OF EXPENSES ELIGIBLE FOR REIMBURSEMENT THROUGH YOUR MEDICAL FSA

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- Treatments Acupuncture
- Alcoholism or drug dependency treatment
- Ambulance service
- Artificial limbs
- Birth control pills
- Braces
- Braille books and magazines
- Car adaptations and controls for the handicapped
- Chiropractors
- Christian Science practitioner's fee
- Co-insurance amount you pay
- Contact lenses
- Contact lens solutions and cleaners
- Cosmetic surgery as necessary to correct congenial abnormality or repair required by accident
- Cost of operations and related treatments
- Crutches
- Deductible you pay for health care
- Dental fees
- Dentures
- Diagnostic fees
- Doctor's fees
- Eye examinations
- Eye glasses, including prescription sunglasses
- Fees of healing services
- Hearing devices and batteries
- Home improvements necessary due to medical reasons.
- Hospital bills
- Hypnosis for treatment of an illness
- Insulin
- Laboratory fees
- Laetrile by prescription
- Life fee to retirement home for medical care
- Mentally impaired care including treatment, training, and special homes.
- Nursing home care for medical treatment
- Nursing services including Nurses' board and FICA tax where paid by taxpayer.
- Obstetrical expenses
- Operations
- Optometrist
- Orthodontia
- Orthopedic shoes
- Osteopath fees
- **Limited Over-the-Counter items**
- Oxygen
- Physician-recommended swimming pool or spa equipment and maintenance
- Prescription and over the counter drug and medicines.
- Psychiatric care
- Psychologist fees
- Routine physicals and other non-diagnostic services or treatments
- Seeing-eye dog and its upkeep
- Smoking cessation program
- Special education for the visually impaired
- Special plumbing for the physically impaired
- Sterilization fees
- Surgical fees
- Syringes, needles, injections, and other medical supplies
- Telephone for hearing impaired
- Television and audio display equipment for hearing impaired
- Therapy treatments
- Transplants
- Transportation expenses
- Primarily in the rendering of medical service i.e., railroad fare to hospital or to recuperation home, cab fare in obstetrical case
- Tuition at special school or tutoring for the learning disabled and handicapped
- Vitamins by prescription
- Wheelchair
- Wigs, if prescribed by a doctor
- X-rays

### NOTE:

- This is a representative list of medically related expenses that qualify under current IRS guidelines. This list may change.
- **The expenses you claim must not be paid under insurance policies or any other source.**