

**KANELAND COMMUNITY UNIT  
SCHOOL DISTRICT 302**

**FLEXIBLE SPENDING ACCOUNT  
PLAN  
2010**

**ADMINISTRATOR:**

**J. N. MORCOS & COMPANY  
201 NO. CONSTITUTION DRIVE  
P O BOX 98  
AURORA, IL 60507  
PH: 630-892-3900  
FAX: 630-892-1085**

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# KANELAND COMMUNITY UNIT SCHOOL DISTRICT #302

## FLEXIBLE SPENDING ACCOUNT PLAN

### SUMMARY OF INFORMATION

Who is Eligible:	Employees who qualify for the health benefit program even if they don't participate.
Plan Year Begins:	January 1, 2010
Plan Year Ends:	December 31, 2010
Eligible Expenses:	Services must be provided between January 1, 2010 through December 31, 2010.
Annual Maximum Amount:	Plan Year 2010 - \$5,000 Medical Expenses - \$2,500 Dependent Care (filing single) - \$5,000 Dependent Care (filing jointly)
Last Date to Submit Claims:	Reimbursement requests form must be received no later than March 31, 2011.
Administrator:	J. N. Morcos & Company P O Box 98 Aurora, IL 60507 630-892-3900

## **Health Flexible Spending Account Plan:**

A unique employee benefit within an Internal Revenue Code Section 125 (Cafeteria) Plan.

You have selected an important addition to your employee benefits program. It's called the Health Flexible Spending Account Plan.

The Health Flexible Spending Account Plan is designed to pay you for unreimbursed medical, dental, vision and hearing expenses which you may have during a plan year. These expenses are those which may not be covered at 100% by the Employee Benefit Plan or any other health care program covering you or your spouse or dependent.

The Health Flexible Spending Account Plan works like a household budget. When you calculate a budget, you decide how much money you will need to budget for certain types of expenses like food, clothing and utilities.

You manage your spending accounts by deciding how many dollars to budget for certain medical expenses.

The amount set aside in the account may generally be used to pay any health care expense which would qualify as a medical deduction under IRS rules.

Sample expenses include deductibles, co-payments, amounts over the maximum insurance pays, routine physicals and other expenses not covered by insurance. We have included a list of the most common expenses submitted (see pages 6 and 7). Please contact your Plan Administrator if you have questions regarding the eligibility of item(s) or service(s) not listed.

### **HOW IT WORKS**

Before the plan year begins, you elect to have a portion of your pay placed in a Flexible Spending Account on a "pre-tax" basis. The dollar amount you elect to place in the account will be subtracted from your pay each payday.

When you incur an eligible expense not fully covered or not covered at all by insurance, you will be reimbursed from the Health Flexible Spending Account up to the amount to be contributed for the current plan year less any payments previously disbursed.

Accumulated pre-tax dollars are used in place of after-tax dollars to pay for certain eligible expenses, resulting in tax savings.

- In summary, dollars placed in the account are taken out of your pay **BEFORE** they are taxed.
- Because this lowers taxable income, you may save on both Social Security/Medicare taxes\* and Federal Income Taxes, and in most cases State income taxes as well.

*\* The Social Security Tax reduction may reduce Social Security monthly income benefit amounts.*

## The Importance of Planning

It is important that you be CONSERVATIVE when estimating your expenses for the next year. IRS regulations that apply to Health Flexible Spending Accounts state that any money set aside in these accounts and not used for expenses incurred during the plan year must be forfeited.

**THE MONEY YOU DO NOT USE CANNOT BE REFUNDED.**

To avoid losing money, you should try to estimate what your eligible expenses will be before you decide what to contribute.

The IRS also does not permit duplication of coverage. Therefore, all applicable medical charges must first be submitted to your standard plan of benefits. The purpose of the spending accounts is to cover most out-of-pocket expenses not covered under your medical plan or any other medical plan.

Keep in mind that you can only claim reimbursement for expenses (services) incurred (performed) during your specific plan year dates. Payments on account for an expense incurred before or after the plan year dates are not eligible.

Here are a few other key considerations employees should keep in mind when evaluating and planning participation in a Health Flexible Spending Plan.

- Your eligible and PREDICTABLE health care expenses;
- Your income and tax bracket
- Your ability to afford a reduction in your paychecks since part of your salary is set aside for expenses.

## What if an Employee's Needs Change After He or She Enrolls?

Since the selection of benefits the employees establish each year are binding until the next enrollment period, it's very important that you plan your expenses accurately.

You are not allowed to cancel or change your elections or add coverage until the next enrollment period. The only exception to this is if you have a major change in family status or there is some other change beyond the control of the employee. The change must be on account and consistent with an event such as:

- marriage, divorce, legal separation
- death of a spouse or child
- birth or adoption of a child
- dependent becomes ineligible
- termination of a spouse's employment
- commencement of employment of a spouse
- switching from full-time to part-time or vice versa by the employee or spouse
- taking an unpaid leave of absence by the employee or spouse
- curtailment or cessation of health coverage by insurer, employer, or spouse's employer permits election of a different health plan (if available) at the same benefit level, but does not permit dropping of health coverage.
- receipt of a Qualified Medical Child Support order ("QMED"). If the QMED requires coverage, the employee may elect to add a child to the Plan. If the QMED requires the ex-spouse to provide coverage, the employee may drop the child from the Plan. In such an event, the change in election will be automatically implemented.
- commencement of or return from an unpaid leave by employee, dependent, or spouse, including a strike or lockout.
- change that results in entitlement to COBRA continuation coverage or loss of COBRA coverage.
- a HIPAA event that would entitle the employee, spouse or dependent to special enrollment rights.

*Financial hardship is NOT an acceptable reason for making a change.*

**If any of the above events occur and you need to change your enrollment in the Health Flexible Spending Account Plan, you must make the change within 30 days of the event.**

## **IF YOU TERMINATE YOUR EMPLOYMENT**

If you terminate your employment, you can only be reimbursed from the Health Flexible Spending Account Plan for expenses incurred in the Plan Year up to your date of termination of employment. Claims for reimbursement must be submitted within 90 days of your date of termination and are limited to the maximum benefits elected less all prior reimbursement amounts.

If you are rehired during the same Plan Year in which termination of employment occurs, and you did NOT elect to participate in the Flexible Spending Account Plan prior to the termination of employment, then you cannot make any new benefit elections for the remaining portion of the Plan Year.

If you did elect to participate in the Plan prior to your termination of employment, you can be reinstated in the Plan but you cannot make any changes from your prior election unless you have a qualifying event as outlined on page 4.

If you participated in the Health Flexible Spending Account Plan prior to termination of employment and you continue to make the required contributions to the Plan pursuant to the election of COBRA coverage, you may submit claims for reimbursement for unreimbursed expenses incurred for the remainder of the Plan Year. If you fail to make the required contribution, reimbursements can only be made for expenses incurred during the coverage period. IRS regulations and Illinois law allow payments to be withheld from an employee's final wages for COBRA continuation coverage under the Health Flexible Spending Account Plan.

With regard to the Dependent Care Flexible Spending Account Plan, you may continue to submit claims for employment-related dependent care expenses incurred prior to the date of termination for up to ninety (90) days following the termination of employment. Reimbursements are limited to the amount available in your Dependent Care Flexible Spending Account as of the date of termination.

**ELIGIBLE and NON-ELIGIBLE MEDICAL EXPENSES**

The following is intended as a guideline for allowable and non-allowable expenses, but not a complete list. If you have questions, contact J.N. Morcos & Co. at (630) 892-3900.

**PRESCRIPTION DRUGS:**

Allowable expenses:

- Prescription Drugs or Insulin (Not paid for by insurance)
- Prescription Drug Co-Payments
- Birth Control Drugs

Expenses Not allowed:

- Cost of illegal drugs
- Vitamins unless only available through prescription
- Hair loss remedies
- Smoking Cessation products unless only available through prescription
- Herbal remedies

**OVER-THE COUNTER DRUGS (OTC) AND MEDICAL SUPPLIES**

Over-the-Counter drugs must be properly substantiated. Approved expenses include:

- Antacids
- Allergy Medicine
- Pain Relievers
- Cold Medicine
- Those purchased without a physician's prescription
- Medically Necessary Supplies

Expenses Not allowed:

- Vitamins
- Toiletries
- Cosmetics

**HEARING EXPENSES:**

Allowable expenses:

- Hearing aids
- Batteries for operation of hearing aids
- Ear plugs for specific medical condition.

**DENTAL & ORTHODONTIC CARE:**

Allowable expenses:

- Dental Care not covered by insurance
- Deductibles/Co-payments
- Artificial Teeth/Dentures
- Braces, Orthodontic devices, and Orthodontic Services

Expenses Not allowed:

- Whitening or Bleaching of teeth
- Orthodontics for cosmetic purposes

*You can go to [www.drugstore.com](http://www.drugstore.com) for Over-The-Counter eligible expenses.*

**VISION CARE:**

Allowable Expenses:

- Optometrist's/Ophthalmologist's Fee
- Eyeglasses
- Contact Lenses/solutions/supplies
- Laser Refractive surgery

**PSYCHIATRIC CARE:**

Allowable expenses:

- Services of Psychotherapist, Psychiatrists, Psychologists
- Psychiatric therapy for sexual problems
- Legal Fees directly related to commitment of mentally ill

Expenses Not allowed:

- Marriage counseling

**FEES/SERVICES:**

Allowable expenses: (if not covered by medical insurance)

- Physician's Fees
- Obstetrical Expenses
- Hospital Services
- Nursing Services
- Nursing Services for care of a specific medical ailment
- Cost of a nurse's room/board if paid by taxpayer when nurse's services qualify
- Surgical or Diagnostic Services
- Legal Sterilization
- Cosmetic surgery that treats a deformity caused by an accident or trauma, disease, abnormality at birth
- Fees for Anesthesiologists, Dermatologists, Gynecologists or Christian Science
- Ambulance Services
- Cost of Legal Abortion

Expenses Not allowed:

- Cosmetic surgery as elective
- Anti-aging products/treatments
- Payments to domestic help for non-medical nature
- Nursemaids who render general care for infants
- Fees for health club membership

**ELIGIBLE and NON-ELIGIBLE MEDICAL EXPENSES**

**TREATMENT & THERAPIES:**

Allowable expenses:

- X-ray treatments
- Treatment for Drug/alcohol Dependency
- Acupuncture for a medical condition
- Chiropractors/Osteopaths for a medical condition
- Vaccinations
- Physical Therapy as medical treatment
- Speech Therapy
- Routine Physicals, but not employment related
- School Physicals

Expenses Not allowed:

- Tattoos and Ear Piercing
- Religious cult de-programming
- Physical treatments unrelated to health problems

**MISCELLANEOUS CHARGES:**

Allowable expenses:

- Expenses or services connected with donating an organ
- Cost of transferring medical records
- Excess cost of special diet if documentation is provided by the doctor that diet is not for general health
- Sales Tax
- \$.14 per mile for travel to and from medical services provider
- Up to \$50 daily per person for lodging for medical purpose

Expenses Not allowed:

- Cost of toiletries/cosmetics/sundry items
- Weight Loss Maintenance Programs
- Smoking Cessation Programs
- Maternity Clothes
- Diaper Service
- Distilled water to avoid drinking fluoridated city water
- Insurance against loss of income, life, limb or sight
- Union dues for sick benefits for members
- Contributions for State Disability Funds
- Premiums paid for insurance coverage
- Over-The-Counter products

**ASSISTANCE FOR HANDICAPPED:**

Allowable expense:

- Cost of guide for blind person
- Cost of note-taker for deaf child in school
- Cost of Braille books/magazines in excess of cost of regular books
- Seeing Eye Dog (cost of buying, training and maintaining)
- Household visual alert system for deaf
- Excess costs to equip automobile
- Special devices such as tape recorder and typewriter for the blind

**MEDICAL EQUIPMENT:**

Allowable expenses:

- Wheelchair
- Crutches (purchased or rented)
- Special Mattress/plywood boards prescribed for arthritis
- Oxygen equipment and oxygen
- Artificial limbs
- Wigs where necessary to mental health of individual who loses hair due to disease. Must obtain doctor's Certification
- Orthopedic shoes
- Air purifier if prescribed for specific medical condition

Expenses Not allowed:

- Wigs, when not medically necessary
- Vacuum cleaner purchased by individual with dust allergy

## **DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT PLAN**

The Dependent Care Flexible Spending Account Plan is designed for child care services for children under age 13 or for the care of a disabled spouse or dependent when those services make it possible for the employee and his or her spouse to work. Any type of dependent care eligible for a federal income tax credit is eligible for reimbursement under the Dependent Care Flexible Spending Account Plan.

**QUALIFICATIONS.** Employees qualify to use this account if:

1. You are a single parent
2. You have a working spouse
3. Your spouse is a full-time student for at least five months during the year while you are working
4. Your spouse is disabled and unable to provide for his or her own care

**ELIGIBLE EXPENSES** Expenses may be reimbursed for services provided:

1. Inside or outside the home by anyone other than
  - a. The spouse
  - b. Someone who is a dependent for income tax purposes
  - c. A child of the employee if the child is under age 19: or
2. In a dependent care center or a child care center (if the center cares for more than six children, it must comply with all applicable State and local regulations)
3. By a housekeeper whose services include, in part, providing care for an eligible dependent

**NOTE:** Individuals paying wages for household help may have to pay the employer's portion and withhold the employee's portion of the social security tax (FICA). They may also have to pay federal and state unemployment taxes. If you are paying wages for household help, you should contact your tax advisor for details of these possible tax obligations.

### **TAX CONSIDERATIONS:**

It is not always advantageous for employees to use the Dependent Care Reimbursement Account. This is because a federal income tax credit is also available for dependent care expenses. IRS Form 2441 gives full information about computing the tax credit and you should contact your tax advisor regarding your situation.

If your income tax bracket is 15% or less, you will probably come out ahead by claiming the credits for dependent care and earned income, instead of electing dependent care benefits on a salary reduction basis.

Expenses reimbursed through the Dependent Care Reimbursement Account cannot be claimed for an income tax credit.

**Note: Charges must be incurred in the plan year and reimbursement requests must be received within 90 days after the plan year (by 03/31 of the following year). What you don't use, you lose.**



# Flexible Spending Account Plan

## How to file a claim for Reimbursement of Medical, Dental and Vision Claims:

**To file for Reimbursement of Medical, Dental, Vision unreimbursed expenses.** you must submit an FSA Reimbursement Claim Form with a copy of the Explanation of Benefit Worksheet (front and back) from the insurance company, or the **Original** RX receipts showing the co-pay.

**Over-the-Counter drugs** can be reimbursed to you also. In order for us to reimburse you for those items, we need the original receipt from the grocery store, drug store, etc. The FSA Plan can cover antacids, allergy medicine, pain relievers, cold medicine, etc.

Expenses **NOT** allowed are vitamins, toiletries, cosmetics.

If you want to know if a medicine or item is covered, you can go to [www.drugstore.com](http://www.drugstore.com) and select the FSA Store or you can call our office.

*Please keep in mind that all incurred medical/dental/vision expenses which are covered by the insurance you carry, **MUST** be submitted to the insurance carrier for consideration before being submitted for reimbursement under the FSA Plan, even if your deductible has not been satisfied.*

## How to file a claim for Reimbursement of Dependent Care Expenses

To file a claim for reimbursement of Dependent Care Expenses, complete the FSA Reimbursement Claim Form. Attach a receipt from the care giver that shows their **name, address, tax ID number (Social Security No.) dates of service, charges and your payments.**

Keep in mind that we can only reimburse for dependent care up to the total amount that is deducted from your salary as of the date of your request.

Remember, Dependent Care reimbursement can only be made if the child care is due to you being a single parent, you have a working spouse, your spouse is a full-time student for at least 5 months during the year while you are working, or your spouse is disabled and unable to provide for his or her own care.

Dependent care does not include baby-sitting expenses when you go out to dinner or just need a break. Also, the care giver must declare the income on their income taxes.

**Mail claims to:**  
**J. N. Morcos & Company**  
**P O Box 98**  
**Aurora, IL 60507**

**Any questions call us at 630-892-3900**  
**or you can email – [Jolene@morcosins.com](mailto:Jolene@morcosins.com).**

**FSA claims will be processed once a month. Any claims received by the 20<sup>th</sup> of each month, will be processed within the following week.**

**Always keep a copy of all receipts and claims mailed to us.**

**October, 2008**