



## New York State Correctional Officers & Police Benevolent Association, Inc.

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TO: NYSCOPBA Chief Sector Stewards

FROM: Sharon Smith, Health Benefits Specialist

DATE: August 16, 2006

RE: 2007 Flex Spending Account and Dependent Care Advantage  
Account Open Enrollment

Attached please find a draft copy of the 2007 Flex Spending Account Enrollment Book outlining both the Health Care Spending Account and the Dependent Care Advantage Account.

Due to the changes in health insurance and prescription drug copays, members may be very interested in the Health Care Spending Account. This program is a way for members to save money by allowing them to pay for certain health insurance expenses and copays with pre-tax dollars. Plan limits for 2007 have changed to a \$100 minimum contribution and a \$4,000 maximum contribution.

The Dependent Care Advantage Account helps employee families with costs associated with child care, elder care or disabled dependent care while at work, again through pre-tax dollars.

The open enrollment period for both programs runs September 25th through midnight November 10, 2006. Members may sign up either online or by telephone. Paycheck stuffers will be distributed with the September 14 institutional and September 20 administration paychecks.

The plan's website address is [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us) and members can get detailed information about both plans, request an enrollment book or enroll online. Members with questions can also email the program at [fsa@goer.state.ny.us](mailto:fsa@goer.state.ny.us) or call the hotline at 1-800-358-7202.

Any assistance in passing this information on to your membership is appreciated.

SS  
Attachment

cc: NYSCOPBA Executive Board  
NYSCOPBA Jt. Committee on Health Benefits



# Flex Spending Account

Dependent Care Advantage Account • Health Care Spending Account

*A State employee benefit  
that puts money in your pocket*

Year 2007 Enrollment Book

Enrollment September 25 - November 10, 2006

# Message from George H. Madison

*Director, Governor's Office of Employee Relations*



The Flex Spending Account (FSA) is a valuable employee benefit that puts money in your pocket by helping you save on health care costs and the dependent care expenses you incur to be employed. The FSA benefit includes two programs to help you keep more of your paycheck.

Enrolling in the Flex Spending Account is easy. You can apply for enrollment in either the DCAAccount or the HCSAccount or both through a paperless process. Submit your application online at [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us), or call 1-800-358-7202 if you do not have Internet access and a Customer Service Representative will take your application. The process is quick, easy, and secure.

The Flex Spending Account offers other customer-friendly services such as direct deposit of authorized reimbursements into your bank account. You can reduce claims processing time by faxing reimbursement request forms to the FSA Administrator. More than one-half of the current FSA participants use these program features, which give them prompt access to their funds by eliminating mail time. You can check your account balances anytime online or by using a voice-response system.

The Flex Spending Account, administered jointly by staff of the Governor's Office of Employee Relations and the Family Benefits Program, is an economy-minded and family-oriented program that has emerged in part through the collective bargaining process. We are very pleased to be able to offer you this program to enable you to better afford rising health care costs and the high cost of quality child and adult day care services.

## ***Here's what some of your coworkers had to say:***

### **Susan P., M/C, SUNY Brockport**

"This year I enrolled in the DCAA and have been so pleased. Aside from the tax benefit and the employer contribution, the program is easy and convenient to use. I fax my monthly daycare receipt toll-free and receive my reimbursement directly into my checking account. The deposit arrives in a matter of days; a remittance statement follows, by mail, shortly after. What a wonderful program — thank you! "

### **Jo Anne S., CSEA, SUNY Oswego**

"This was my first experience with the Flex Spending Account and it couldn't have been a better experience for me. I was faced with dental work requiring a large out-of-pocket expense that would have been difficult to come up with all at once. The Flex Spending Account seemed like the ideal way to go. Sign-up online was easy and the reimbursement for my dental work was in my hand within a few days of faxing the claim. And, as this plan is based on pre-tax dollars, I was extremely happy to find the effect on my paycheck equaled less than 60 percent of the payment I expected. Wonderful!"

### **John M., UUP, SUNY Brockport**

"We are very pleased with the New York State Flex Spending Account program. It is very easy to use – we collect medical receipts, mail them periodically and quickly receive payment from the funds that have been automatically deducted from our paychecks. In three years we have saved over \$1,000 on our necessary health-related expenses by paying with pre-tax dollars through this program."

### **Catherine G., PEF, NYS CQCAPD**

"I have saved considerable money on daycare expenses over the past 10 years using the DCAA program. This year's Employer Contribution will pay for almost three weeks of summer camp. The timely manner in which all of my claims have been processed has been excellent. The online services are very efficient and helpful, too."

## ***Important Dates to Remember***

Open Enrollment period is  
September 25 through November 10, 2006

The Plan Year runs from  
January 1 through December 31, 2007



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# Enrollment at a Glance

## **Important Enrollment Information**

- New Spending Limits for the Health Care Spending Account Beginning with the 2007 Plan Year, you may enroll in the HCSAccount for a minimum of \$100 up to a maximum of \$4,000. See page 15 for more information.
- The 2007 open enrollment period begins September 25, 2006, and continues through midnight on November 10, 2006.
- If you are enrolled for the 2006 Plan Year, you must re-enroll to continue your benefits in 2007.
- The 2007 Plan Year is January 1, 2007, through December 31, 2007.
- Enrollment is paperless. You may apply for enrollment online at [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us) or by calling toll free at 1-800-358-7202.
- Employees of the SUNY Research Foundation, HRI, and NYS Thruway Authority are not eligible to participate in the Flex Spending Account program.



*We are very pleased to be able to offer this program, enabling you to better afford rising health care costs and the high cost of quality child and adult day care services.*

# About Your Flex Spending Account

## What Is The Flex Spending Account?

The Flex Spending Account (FSA) is a negotiated benefit for State employees. There are two parts to the Flex Spending Account—the Dependent Care Advantage Account (DCAAccount) and the Health Care Spending Account (HCSAccount). Both are types of flexible spending accounts that give you a way to pay for your dependent care or health care expenses with pre-tax dollars. Enrollment in the FSA is voluntary—you decide how much to have taken out of your paycheck and put into your DCAAccount and/or HCSAccount.

## Why Should I Enroll?

If you are paying for dependent care expenses in order to work, or have medical expenses that are not reimbursable under your health insurance, you are paying for those expenses with dollars that have already been taxed. By enrolling in the DCAAccount or HCSAccount, you will pay those same expenses with whole dollars—before federal, state, and social security taxes are taken from your salary.

For over 15 years, the DCAAccount has been consistently saving State employee participants hundreds of dollars on their dependent care expenses. The Employer Contribution returned in 2005 as a result of collective bargaining and participation in the DCAAccount soared. In 2007, the Employer Contribution will provide up to \$700 for employees in eligible bargaining units who enroll in the DCAAccount. We expect another increase in participation as more working parents learn that the Employer Contribution could significantly help cover summer day camp, nursery school, child care center, or adult day care costs.

The HCSAccount is a great way to help you save on many of your family's health care expenses as well. Since the benefit was introduced in 2001, participation has risen nearly 180 percent as more than 12,500 State employees used their HCSAccounts in 2006 to save money on prescription drugs, orthodontia, and other medical services provided to their families.



## Fees

There are *no fees* for employees who participate in either the DCAAccount or the HCSAccount programs. The Flex Spending Account is funded by the Governor's Office of Employee Relations and the Family Benefits Program in cooperation with State public employee unions. The Legislature and Unified Court System also contribute on behalf of their employees.

## FSA Administrator

Fringe Benefits Management Company (FBMC) is the current FSA Administrator. FBMC reviews claims, writes checks, and provides customer service and accounting services. Flex Spending Account participants send all claims for reimbursement directly to FBMC.

When you apply for one of the programs offered under the Flex Spending Account, FBMC will send you a letter confirming the amount you choose to set aside for 2007. If you find any discrepancy in the information in the confirmation letter, you must notify FBMC by December 13, 2006 to make the change. For information regarding your confirmation letter, claims submitted, or your account balance, you will have access to FBMC's toll-free customer service, Monday - Friday, 7 a.m. and 10 p.m. EST, at **1-800-342-8017**.

FBMC will provide you with your account balance and a new reimbursement request form with each reimbursement check or direct deposit stub. You will also receive quarterly and year-end statements that detail the activity in your account.

## 2007 Open Enrollment Period

The 2007 FSA open enrollment period begins September 25, 2006, and continues through November 10, 2006. The Plan Year for the FSA is the calendar year. The 2007 Plan Year runs from January 1, 2007 through December 31, 2007.

## How Does The Flex Spending Account Work?

The Flex Spending Account is easy to understand and to use. You may choose to enroll in either the DCAAccount or the HCSAccount, or both. This is how it works:

During the open enrollment period, use the HCSAccount and DCAAccount worksheets on page 8 to estimate what your out-of-pocket health care and dependent care expenses will be for the 2007 calendar year. Based on your estimate, decide how much of your salary you want to set aside in either or both accounts. Submit your enrollment application online or through the toll-free number before the open enrollment period ends.

Each pay period, a regular portion of this amount will be deducted tax-free from your biweekly paycheck. These deductions are made before your federal, state, and social security (and New York City, if applicable) taxes are calculated. The contributions to your Flex Spending Account are deducted tax-free from your gross pay.

# About Your Flex Spending Account

After you have incurred eligible expenses, mail a reimbursement request form and your bill or receipt to FBMC. You will receive a check within five to seven days by mail. Or, you can use the direct deposit option (see **Enter the RACE**) to have the funds go directly into your savings or checking account within 48 hours.

## **Faxing Reimbursement Request Forms**

Participants in the Flex Spending Account may fax reimbursement request forms toll-free to the FSA Administrator at 1-800-743-3271. By faxing your forms and using the direct deposit option, you can speed your reimbursements by eliminating mail time completely.

## **Enter the RACE**

- If you decide to **Enter the RACE (Rapid Access Check Express)**, you will have quicker access to your reimbursements by eliminating mail time.
- Participants in the Flex Spending Account can have their authorized reimbursements deposited directly into their own banking institution. This feature of the Flex Spending Account is *optional*.
- In order for you to take advantage of this option, your financial institution must be a member of the New York Automated Clearing House.
- FBMC will mail you a receipt each time an electronic transfer is made to your account.
- Submit your reimbursement request forms regularly to maximize the speed of your reimbursements.
- A form to **Enter the RACE** is available at [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us) or by calling 1-800-358-7202.
- If you **Enter the RACE** and later make a change to your bank account, you must submit a new **RACE** form to have your reimbursements deposited to your new account.

## **Forfeiture Rules—“Use It or Lose It”**

Because of the tax advantages of the Flex Spending Account, the Internal Revenue Service (IRS) has strict guidelines for its use. One of these guidelines is commonly known as the “use it or lose it” rule. Put simply, if you contribute pre-tax dollars into your DCAAccount or HCSAccount and then do not have enough eligible expenses during the Plan Year to equal the amount you contributed, you will lose the balance remaining in your account when the Plan Year ends. That is why it is important to plan carefully before deciding how much to contribute. With careful planning, you can minimize the risk of losing any of your contributions. According to the IRS, after all submitted reimbursement claims have been processed, any funds remaining must be returned to the employer. The unused funds are used to defray the cost of administering the program. Participants have until March 31, 2008, to submit any eligible unreimbursed expenses from the 2007 Plan Year. But remember—if you plan properly, you are unlikely to forfeit any of your funds.

## **Effect On Other Benefits**

### **Social Security Tax (FICA)**

Contributions to the HCSAccount and DCAAccount may reduce your social security taxes. If so, based on current Social Security law, social security benefits at your retirement age may be slightly less as a result of your participation in the HCSAccount and DCAAccount. The effect will be minimal and would likely be offset by the amounts saved in taxes today. If you are concerned about this, contact the Social Security Administration at **1-800-772-1213**.

### **New York State Pension**

Contributions to the HCSAccount and DCAAccount have no effect on your New York State pension contributions or benefits.

### **Deferred Compensation**

Most employees' contributions to the New York State Deferred Compensation Plan will be unaffected by participation in the FSA program. In some cases, however, participation in the FSA program may affect you. The percentage you contribute to the deferred compensation plan will be applied to a lower salary amount as a result of your FSA contributions. Since such contributions are made as a percentage of salary, your deferred compensation contribution may be lower, depending on the amount of your annual salary and the amount you currently contribute to your deferred compensation plan.

### **SUNY Deferred Annuity Plan**

Contributions to the State University of New York's tax-deferred annuity plan are not affected by participation in the FSA program.

## **Changing Your Coverage**

### **Am I permitted to make election changes after the Plan Year begins?**

Under some circumstances, you may be able to make a change to your FSA election, depending on the qualifying event and requested change.

### **How do I make a change?**

If you have a change in status event that occurs after the Open Enrollment period ends, you may be able to enroll during the Plan Year.

Please refer to the respective HCSAccount and DCAAccount pages for specific information on changes in status.

# About Your Flex Spending Account

## **Appeal Process**

If your change in status, reimbursement request, or other request is denied, in full or in part, you have the right to appeal the decision by sending a written request within 30 days of the denial for review to FBMC.

Your appeal must include:

- the name of your employer – State of New York
- the date of the services for which your request was denied
- a copy of the denied request
- the denial letter you received
- why you think your request should not have been denied
- any additional documents, information, or comments you think may be relevant to your appeal

Your appeal will be reviewed once it and its supporting documentation are received. You will be notified of the results of this review within 30 business days from receipt of your appeal. In unusual cases, such as when appeals require additional documentation, the review may take longer than 30 business days. If your appeal is approved, your account will be adjusted as soon as possible. Appeal decisions are based upon whether your extenuating circumstances and supporting documentation are consistent with the FSA rules and IRS regulations governing the plan.

## **Written Certification**

When enrolling in either or both benefits offered under the FSA, written notice of agreement with the following will be required:

- I will only use my FSA to pay for IRS-qualified expenses eligible under my employer's plan, and only for me and my IRS-eligible dependents
- I will exhaust all other sources of reimbursement, including those provided under my employer's plan before seeking reimbursement from my FSA
- I will not seek reimbursement through any additional source
- I will collect and maintain sufficient documentation to validate the foregoing.



*You have an opportunity to enroll in the Flex Spending Account from September 25 - November 10, 2006 for the 2007 Plan Year.*

# About Your Flex Spending Account

To help you plan the amount of your HCSAccount or DCAAccount contribution, use these worksheets. You may want to look at what you spent on health care and dependent care last year before making your decision. Include annual estimated expenses for health care services anticipated for the upcoming Plan Year that will not be reimbursed by your medical, dental, or other benefit plans.

If you are enrolling during the open enrollment period, use the chart below to estimate your expenses for the 2007 calendar year. If you are joining the program during the year (that is, after the open enrollment period is over), use the chart to estimate your expenses for the remainder of the calendar year. If you are a new employee, remember that your HCSAccount coverage won't begin until your 61st day of employment.

## HCSAccount WORKSHEET

Estimate your eligible, uninsured out-of-pocket medical expenses for the plan year.

### Medical expenses, such as:

Health plan deductible	\$ _____
Office visit and hospital copayments	\$ _____
Prescription drug copayments	\$ _____
Routine physicals	\$ _____
Non-covered prescriptions	\$ _____
Hearing aids	\$ _____
Planned, non-covered medical procedures	\$ _____
Other eligible expenses	\$ _____

### Dental expenses, such as:

Deductibles and copayments	\$ _____
Routine check-ups, cleaning, and x-rays	\$ _____
Orthodontia	\$ _____
Planned dental work (crowns, dentures, dental implants, etc.)	\$ _____

### Vision care expenses, such as:

Exams	\$ _____
Eyeglasses	\$ _____
Contact lenses and contact lens solutions	\$ _____

**TOTAL** \$ \_\_\_\_\_

**DIVIDE** by the number of paycheck deductions you will receive during the plan year (24 max). \_\_\_\_\_

**This is your biweekly contribution.** \$ \_\_\_\_\_

## DCAAccount WORKSHEET

Estimate your eligible dependent care expenses for the plan year. Remember that your calculated amount cannot exceed the calendar year limits established by the IRS.

### Child Care Expenses

Baby sitter	\$ _____
Day care services	\$ _____
Nursery school	\$ _____
Before/after school care	\$ _____
Summer day camp	\$ _____

### Elder Care Services

Adult day care center	\$ _____
Disabled dependent care <sup>1</sup>	\$ _____
Household services <sup>2</sup>	\$ _____
Transportation services <sup>3</sup>	\$ _____
Other expenses	\$ _____

**Total Expenses** Remember, your total contribution cannot exceed IRS limit of \$5,000 for the plan year and calendar year. \$ \_\_\_\_\_

**Less Employer Contribution** - \$ \_\_\_\_\_

**Your DCAA Contribution** \$ \_\_\_\_\_

**Divide** by the number of paycheck deductions you will receive during the plan year (24 max). \_\_\_\_\_

**This is your biweekly contribution.** \$ \_\_\_\_\_

<sup>1</sup> Disabled dependent care is eligible regardless of whether it is provided inside or outside your home, as long as the dependent resides with you at least 8 hours a day.

<sup>2</sup> Household services, such as a cook or housekeeper, are eligible if the services are provided, in part, to a person who qualifies as a dependent and are provided to enable you and your spouse to work.

<sup>3</sup> Most transportation costs are not eligible for reimbursement. Transportation costs may be reimbursable if the services are needed to transport your dependent to his/her care provider (such as bus or van services, or other contractual arrangements) and the costs are paid directly to the care provider as part of the fee for care. Consult your tax advisor if you need assistance regarding your specific situation.

**At your request, your FSA reimbursement checks may be deposited into your checking or savings account by Entering the RACE.**

Getting answers to many of your Flex Spending Account questions is now easier than ever. FBMC Customer Service offers you a variety of resources to make inquiries about your Flex Spending Account (FSA).

## **Account Information Page**

FBMC's Account Information Page provides comprehensive details on your FSA.

By entering [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us) into your Internet browser, you will be able to access FBMC's Account Information Page. Answers to many of your questions can be obtained by using the navigational tabs located along the top portion of the main page. You'll be prompted to enter your Social Security Number (SSN) and Personal Identification Number (PIN). After this login, you can check your account status and more.

## **FSA Claims**

Not only can you check the status of your claim, but you may also download forms and get more information about mailing and faxing your claim to FBMC.

## **Accounts**

View your account balance and contributions. You may also view monthly statements and review your transaction history.

## **Profile**

Change the e-mail address FBMC has on file, complete your online registration, or select a new PIN.

## **FBMC Interactive Benefits**

You can reach FBMC's 24-hour automated phone system, Interactive Voice Response (IVR), by calling 1-800-865-FBMC (3262). This system allows you to access your account information anytime. By following the voice prompts, you can find out a great deal of information about your account.

- Current Account Balance(s)
- Claim Status
- Mailing Address Verification
- Obtain FSA Reimbursement Request Forms
- Change Your PIN

## **Personal Identification Number (PIN)**

To access both the FBMC Account Information Page and the Interactive Voice Response (IVR) system, all you need is your Social Security Number (SSN). The last four digits of your SSN will be your first PIN, whether using the Web site or the IVR system. After your initial login, you will be asked to register and select your own confidential PIN to access both systems in the future. Your new PIN cannot be the last four digits of your SSN.

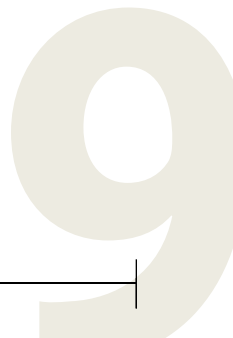


### **Record PIN here.**

Remember, this will be your PIN for both Web and IVR access.

If you forget your PIN, click the "Need Help?" link for help or you may reach a Customer Service Representative at **1-800-342-8017**.

**Note:** Please be sure to keep this Reference Guide in a safe, convenient place, and refer to it for FSA information.



# Flex Spending Account FAQs

**Will money in the Flex Spending Account (FSA) ever be subject to taxes, or is it free from taxes?** Money used for qualified expenses from the DCAAccount and HCSAccount is free from taxes.

**How much money will I save by enrolling in the HCSAccount or DCAAccount programs?** Your savings will be based upon your individual income and tax filings.

**Does the State guarantee the tax benefits under the FSA?**

No. The State cannot guarantee that a participant will receive the intended tax benefits. It is up to each participant to make sure that contributions are made for eligible expenses within the legal and Plan limits.

**What responsibilities do I have to ensure the intended tax benefits of the program are received?** You should make sure that contributions to the FSA will only be made for eligible expenses; for qualifying individuals; up to the legal or Plan maximum; and for services provided in the same Plan Year the contributions are made.

**Wouldn't I save more by taking a deduction on my income tax?**

You need to determine whether taking a tax deduction is more beneficial than using the HCSAccount and/or DCAAccount. According to the IRS, only health care expenses that exceed 7.5% of your adjusted gross income can be deducted from your income taxes. Most people do not have expenses high enough to qualify for this deduction. For work-related dependent care expenses, the tax credit amount is determined by applying a percentage to your total dependent care expenses. In addition, money set aside through your HCSAccount and/or DCAAccount is exempt from FICA taxes. This exemption is not available on your federal income tax return.

**If I reside outside of New York State, how will my participation in the FSA be affected?** Most states follow the federal rules; however, some states may tax the Flex Spending Account contributions. You must comply with the laws of the state where you reside.

**Do contributions to my FSA reduce my income for purposes of the Federal Earned Income Tax Credit?** Yes. Contributions to your FSA will reduce your earned income for purposes of the Federal Earned Income Tax Credit. This means that participation in either the DCAAccount, or HCSAccount, or both, may *increase* your EITC—an additional advantage of participation in the pre-tax FSA program resulting from recent changes in the federal tax law.

The EITC is available to certain households whose total earned income is below the following threshold amount for individuals filing single or head of household: 1 child, \$32,001; 2 or more children \$36,348. For married individuals filing jointly: 1 child, \$34,001; 2 or more children, \$38,348. **Consult your tax advisor or the IRS for additional information and income eligibility.**



**How would I determine if participating in the FSA would affect my social security benefits?** Participation in the Flex Spending Account may have a minimal effect on your social security benefits upon retirement. The Social Security Administration (SSA) uses the highest 35 years of salary earned before retirement to calculate your social security benefit. However, if you are concerned, you should call the SSA for further advice (1-800-772-1213).

**Will my FSA deductions continue if, due to long-term illness, I begin drawing upon my Social Security benefit?** No. Flex Spending Account deductions can only be taken from checks issued through the Office of the State Comptroller. Additionally, if you are collecting disability payments through the Income Protection Plan (IPP) no deductions can be taken, since those funds come directly from the insurance company.

**How much should I contribute?** The amount you contribute depends on your individual situation. Consider last year's health-related and/or dependent care expenses, any medical or dental care costs you foresee that might not be covered under your medical or dental plans, and any changes in your family status that might have an impact on your medical/dental or dependent care expenses. If you have dependent care expenses and are eligible for an Employer Contribution, you would certainly want to consider enrolling in the DCAAccount for at least that amount.

# Flex Spending Account FAQs

*Before participating in the Flex Spending Account, you should carefully consider what your eligible expenses might be.*

**What happens if I submit a claim for an amount greater than my HCSAccount or DCAAccount balance?** When you submit an eligible claim to the HCSAccount, you will be reimbursed up to the full amount of your annual election, regardless of the amount of money that has been deposited into your account. Contributions will continue through payroll deductions throughout the year and claims will continue to be paid until your annual contribution maximum is met.

Dependent care claims are paid differently. If you submit a claim and your balance is less than the amount of the claim, you will only be reimbursed for the amount of money available in your account. The remainder will be reimbursed once the money is deposited into your DCAAccount. This enables you to submit a claim only once and receive funding on an ongoing basis, rather than be denied payment or be forced to resubmit the claim until it can be paid in full.

**What if I don't use up all my money by the end of the year?** You will forfeit the money that remains in your account. You will have until March 31, 2008 to send in claims for expenses you incurred during the 2007 Plan Year. This is the "use it or lose it" feature of the Plan, as required by the Internal Revenue Code. You should plan very carefully when estimating your expenses. FBMC will notify you during the last quarter of the Plan Year if you are likely to have money left in your account. The State uses forfeitures to offset the costs of administering the program.

**How long is my contribution in effect?** Your contribution is in effect until the end of the Plan Year. Each year you will have the opportunity to re-enroll and select a new annual contribution amount.

**What if I change my mind?** You may not change your mind once the Plan Year begins, but you can decide not to join next year. There are certain situations, called "changes in status," and if they occur in your family during the Plan Year, you can make a change—you can start, stop, restart, or change your deduction amounts. See Pages 17 & 24 for more information. Beginning January 1, 2007, you may file a change in status application online at [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us), or by calling FBMC at 1-800-358-7202.



# How to Enroll

## Apply Online

You can apply for enrollment in either the HCSAccount or the DCAAccount, or both, through the Internet. The application process is paperless, quick, and easy. On the enrollment application, you will be asked for basic information—your name, address, phone number, department ID, negotiating unit, social security number, and the amount you want to set aside in your account for the Plan Year.

## Apply Over the Telephone

If you do not have access to the Internet or choose not to enroll online, simply call **1-800-358-7202** and a Customer Service Representative (CSR) will take your application over the phone. The CSR will ask you for the same basic information described above.

After your application has been processed and your eligibility confirmed, you will receive a letter from FBMC by early December confirming your 2007 enrollment. Your FSA enrollment lasts for only one year. Re-enrollment is not automatic. During the open enrollment period each year, you will have an opportunity to sign up for the next Plan Year.

## 1 Log In - First Time User

Go to the Flex Spending Account home page at [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us) and click on the "Apply Now" button to log on to the online enrollment application. Click on "First Time User?" and follow the instructions on the screen.

The screenshot shows the 'FLEX SPENDING ACCOUNT' login page. At the top, it says 'Dependent Care Advantage Account' and 'Health Care Spending Account'. Below that, it says 'A State employee benefit that puts money in your pocket'. There is a 'Log Out' button in the top right. The main content area has a 'Welcome:' section with instructions for first-time users and returning users. It also has an 'Attention:' section with a warning about cookies and a note about account suspension after 3 failed login attempts. There are fields for 'User ID' and 'Password' with a 'Log In' button. A green arrow points to the 'Log In' button.

## 2 Registration

Follow the instructions provided in order to register to use the online FSA enrollment application.

On the first page, enter the requested information as it appears on your paystub. The information will be used to determine your eligibility for the program.

On the next page, enter your personal information, which will only be used to contact you about your account.

The screenshots show the registration process. The first screenshot is the 'Registration' page, which asks for 'Last 4 digits of your SSN', 'Department ID', and 'Negotiating Unit'. It includes a 'Log Out' button and a 'Next Page' button. A green arrow points to the 'Next Page' button. The second screenshot is the 'Personal Information' page, which asks for 'First Name', 'Last Name', 'Suffix', 'Birthdate', 'Mailing Address 1', 'Mailing Address 2', 'City', 'State', 'Zip', 'Day Time Phone', 'E-mail', and 'Confirm E-Mail'. It also includes a 'Log Out' button and a 'Next Page' button. A green arrow points to the 'Next Page' button.

# How to Enroll

## 3 Main Menu

Select the "Open Enrollment Application" link to start your open enrollment application for the HCSAccount and DCAAccount.



## 4 Enrollment Screens

Indicate if you expect to be on the payroll for the entire Plan Year. If you want to accelerate your deductions due to retirement, planned leave of absence, adjunct teaching schedule, or any other reason, indicate the number of paycheck deductions you wish to have taken.

On the next page, click on the links to the HCSAccount and DCAAccount to enroll in either or both benefits. Be sure to enter your annual election amount.

Once you make your choice and click on "Next Page" at the bottom of the page, you will return to the Open Enrollment Main Page.

Click on the DCAAccount link to enroll in that benefit, or click on "Continue" to complete your application.



# How to Enroll

## 5 Account Summary

You will see a summary of the elections you've chosen. Make sure to read and verify that all the information is correct before you submit your application.

**FLEX SPENDING ACCOUNT**  
Dependent Care Advantage Account • Health Care Spending Account  
A state employee benefit that puts money in your pocket

[Today's Date]    Important Links | Back To Main | Log Out

**Annual Enrollment**

Note: Please make sure that all information is correct before clicking on the "Submit" button at the bottom of the page.

Please review the following information that you have entered. If you need to change any information, use the Previous Page button to return to a previous page. After you have verified that all information is correct, click on the Submit button at the bottom of the page to submit this application. If you do not click on the Submit button, your application will not be saved and any requested elections in either the Health Care Spending Account or the Dependent Care Advantage Account will not be processed. After you submit this application, you will receive a page that indicates your application was submitted successfully.

**Employee Information**  
SSN: 999-99-9999  
Name: John Q. Public III  
Day Time Phone: (900) 999-9999  
E-mail: JQP@aol.com

Number of Payrolls: 24

**Health Care Spending Account (HCSA)**  
Your HCSA Election Amount is: \$2,000.00  
Your Estimated Biweekly Deduction is: \$83.33  
Your Estimated Annual Amount is: \$1,999.92

EZ REIMBURSE Card Election: Yes

**Dependent Care Advantage Account (DCAA)**  
Your Employee Contribution is: \$1800.00  
Your Employer Contribution is: \$ 200.00  
Total DCAA Annual Election is: \$ 2000.00  
Your Estimated Biweekly Deduction is: \$75.00  
Your Estimated Annual Amount is: \$1,999.92

Previous Page    Submit

## 6 Confirmation Page

This page will have a confirmation number and summary of your elections. Be sure to print this page and keep it for your records.

If you would like to **Enter the RACE** for direct deposit of your reimbursements, click on the link at the bottom of the page.

Click on the "Log Out" button to close the application.

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[Today's Date]    Important Links | Back To Main | Log Out

Please print a copy of this page and keep it for your records.

Print This Page

Thank you for submitting your application. If you have supplied your e-mail address, you will receive a message acknowledging the receipt of your application. If you have supplied your e-mail address and do not receive a message acknowledging receipt of your application, you may have made an error in the e-mail address you supplied in your application or your spam blocker has not been adjusted to accept e-mail from flex@your.state.nj.us.

Open enrollment ends on 11/30/2008. You have until midnight at the end of open enrollment to modify your enrollment elections by filling out and submitting a new application. At the end of the enrollment period, the most recently submitted application will be taken as your final election. If you need to make any changes before midnight on 11/30/2008, please return to www.NJemployee.nj.us to complete another application.

If you complete a new application, please be certain you fill out the application completely, including your elections for both the Dependent Care Advantage Account and the Health Care Spending Account. Any prior applications for 2007 for either account will be superseded by your elections in your new application.

If there are any problems with your application or if you are ineligible, you will be contacted. You should receive your confirmation notice in the mail at your home address by mid-December.

If you are already participating in one or both of the accounts and have entered the RACE (direct deposit), you do not need to complete a new RACE form for the new plan year. If you do not already have direct deposit set up, you may wish to enter the RACE to get more information and/or to enter the RACE.

**Annual Enrollment**

**Employee Information**  
SSN: 999-99-9999  
Name: John Q. Public III  
Day Time Phone: (900) 999-9999  
E-mail: JQP@aol.com  
Number of Payrolls: 24

**Health Care Spending Account (HCSA)**  
Your HCSA Election Amount is: \$2,000.00  
Your Estimated Biweekly Deduction is: \$83.33  
Your Estimated Annual Amount is: \$1,999.92

EZ Reimburse card Election: Yes

**Dependent Care Advantage Account (DCAA)**  
Your Employer Contribution is: \$1800.00  
Your Employee Contribution is: \$ 200.00  
Total DCAA Annual Election is: \$ 2000.00  
Your Estimated Biweekly Deduction is: \$75.00  
Your Estimated Annual Amount is: \$1,999.92

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# Health Care Spending Account

## What Is The Health Care Spending Account?

The Health Care Spending Account (HCSAccount) is a negotiated employee benefit that helps State employees pay for health-related expenses with tax-free dollars. This includes medical, hospital, laboratory, prescription drug, dental, vision, and hearing expenses that are not reimbursed by your insurance or other benefit plans.

Before participating in the HCSAccount program, you should carefully consider what your eligible expenses might be. Reviewing your expenses from previous years can help. Once you have estimated the amount of your expenses, you may then determine how much to contribute to your HCSAccount. Under federal law, any money that you put into your HCSAccount must be used for expenses incurred during the Plan Year in which it was contributed. For the 2007 Plan Year, the maximum annual contribution allowed by the program is \$4,000 and the minimum annual contribution is \$100.

## Who Is Eligible To Enroll?

1. Employees who work for New York State Executive Branch State agencies (excluding UUP-represented employees), employees of the Legislature and nonjudicial employees of the Unified Court System are eligible if they:
  - are permanent employees *or* are expected to be on the payroll for the entire 2007 calendar year (employees who teach on a school-year schedule and are paid on a 10-month basis are eligible if they meet the other criteria below)
  - are employed on an annual-salaried basis
  - receive regular, bi-weekly paychecks
  - work half-time or more on a regular schedule
  - are eligible to enroll in the New York State Health Insurance Program
  - are represented by a bargaining unit that is eligible to participate *or* are designated Management/Confidential. For the 2007 Plan Year, employees of Executive Branch State agencies who are represented by one of the following unions are eligible to participate in the HCSAccount: CSEA, PEF, NYSCOPBA, Council 82, District Council 37, PBA, and NYSPIA. In addition, all bargaining units in the Unified Court System are eligible to participate.

Employees of the Roswell Park Cancer Institute, NYS Energy Research and Development Authority, and the Environmental Facilities Corporation are also allowed to participate if they meet the eligibility criteria listed above.

All judges and justices of the Unified Court System, paid elected officials, and paid members of the legislative body are eligible regardless of their work schedule.



2. UUP-represented employees employed by the State University of New York are eligible if they:
  - are permanent employees *or* are expected to be employed by New York State for the entire 2007 calendar year (employees who are hired on a semester basis are eligible if they meet the other criteria below) *and*
  - receive regular, bi-weekly paychecks *and*
  - are eligible to enroll in the New York State Health Insurance Program *and*
  - are academic employees who teach two or more courses per semester *or*
  - are full-time professional employees *or*
  - are part-time academic or professional employees who are hired at a specified annual rate (\$12,205 or more between July 2, 2006 and July 1, 2007)
3. New employees who meet the eligibility criteria and wish to participate may do so by submitting an online change in status application, which must be received within **60 days** of their employment start date. You will be able to submit claims for health care services that are received after the completion of **60 consecutive calendar days** of State service. This means that claims will only be processed if the service date is on or after the 61st day of employment through December 31. Deductions will start with the first payroll date that occurs after you become eligible to submit claims.

## Who Is Not Eligible To Enroll?

Casual, seasonal, session, per diem, fee basis and hourly employees, retirees, and employees of the SUNY Research Foundation, HRI, and NYS Thruway Authority are not eligible to participate in the HCSAccount.

## How Do I Enroll?

You have an opportunity to enroll in the HCSAccount each fall during the open enrollment period. For the 2007 Plan Year, the enrollment period begins September 25, 2006, and concludes November 10, 2006.

# Health Care Spending Account

- Use the HCSAccount Worksheet on page 8 to help you estimate your out-of-pocket health care expenses for the 2007 Plan Year. Include only those health care expenses that will occur after the Plan Year begins. You may include expenses for you, your spouse, your qualifying children, and your qualifying relatives. You should also verify with your health care provider that you are a suitable candidate for any surgical procedure, such as laser eye surgery, before committing the money to your account.
- Based on your estimate, decide how much of your salary (\$100 to \$4,000) you want to set aside in your HCSAccount. The amount you choose is taken out of your paycheck through automatic payroll deductions. The number of payroll deductions will be determined based on the number of paychecks you expect to receive during the Plan Year. If you expect to be on the New York State payroll for the entire year, deductions will be taken from a maximum of 24 paychecks.
- You can enroll in the HCSAccount online at [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us). Select "Apply Now" from the menu and follow the instructions on the screens. Even if you are enrolled in 2006, you will be prompted to register as a first time user, including completing a user information page and creating a user ID and password. Indicate the amount of your annual election for the 2007 Plan Year, as well as the number of paychecks you expect to receive for the year. Once you complete the online enrollment application, click the "Submit My Application" button and you are done. The process is quick, easy, and secure. Be sure to print a copy of your application for your records.

If you do not have Internet access, you can also enroll by simply calling FBMC at **1-800-358-7202**. A Customer Service Representative (CSR) will ask you all the information needed for your enrollment application.

- If you do not enroll in the HCSAccount when you are first eligible, you must wait until the next open enrollment period, unless you experience an event that would permit a mid-year election change. Please note that State University of New York employees who are otherwise eligible for this program but only work during the fall semester may not enroll during the annual open enrollment period. Rather, they must submit a change in status application to enroll when they return to work for the fall semester.

## Eligible Expenses

To be reimbursed through the HCSAccount, expenses must be for health care received primarily for the prevention or treatment of a physical or mental defect or illness. Out-of-pocket expenses are generally eligible if they are not reimbursed by insurance. Regardless of whether the expenses are incurred by you or your eligible dependents, they must be incurred during the Plan Year

or during your period of coverage if you enroll after the Plan Year begins. An expense is incurred when you or one of your dependents receives the health care service, not when you are billed, charged for, or pay for the service. To be eligible for reimbursement, a health care expense must be:

- for you or an eligible dependent
- permitted under the Internal Revenue Code
- medically necessary
- not reimbursed by your health insurance or any other benefit plan, nor will you seek reimbursement from such plans

## Whose expenses are eligible for reimbursement?

You may claim eligible expenses under the HCSAccount program for the following individuals:

- yourself
- your spouse
- your qualifying child
- your qualifying relative

An individual is a **qualifying child** if he/she:

- is a U.S. citizen, national, or a resident of the U.S., Mexico, or Canada
- has a specified family-type relationship to you
- lives in your household for more than half of the taxable year
- is 18 years old or younger (23 years, if a full-time student) at the end of the taxable year
- has not provided more than one-half of his/her own support during the taxable year (and receive more than one-half of his/her support from you during the taxable year if a full-time student age 19 through 23 at the end of the taxable year)

An individual is a **qualifying relative** if he/she:

- is a U.S. citizen, national, or a resident of the U.S., Mexico, or Canada
- has a specified family-type relationship to you, is not someone else's qualifying child, and receives more than one-half of his/her support from you during the taxable year

**or**

if no specified family-type relationship to you exists, is a member of and lives in your household (without violating local law) for the entire taxable year and receives more than one-half of his/her support from you during the taxable year

**Note:** There is no age requirement for a qualifying child if he/she is physically and/or mentally incapable of self care. An eligible child of divorced parents is treated as a dependent of both, so either or both parents may establish a HCSAccount to be reimbursed for the child's health care expenses.

According to the IRS, a domestic partner's health care expenses are eligible for reimbursement through a HCSAccount *only* if the domestic partner is a qualifying relative under the Internal Revenue Code.

# Health Care Spending Account

## What types of expenses are eligible?

An extensive list of medical expenses that can be deducted on Schedule A of Form 1040 appears in IRS Publication 502 (Medical and Dental Expenses), although Publication 502 should not be solely relied upon to determine your eligible expenses under the HCSAccount. For example, expenses such as insurance premiums are deductible on Schedule A, but are not eligible for reimbursement through the HCSAccount. In addition, the IRS allows you to deduct an expense if it is *paid* during the tax year, while HCSAccount claims are reimbursed only if an expense is *incurred* during the Plan Year. Also, expenses that are reimbursed through your HCSAccount may not also be deducted on Schedule A. Examples of eligible expenses under the HCSAccount are listed below.

## Some Medically Necessary ELIGIBLE Expenses

Acupuncture <sup>1</sup>	Infertility treatments
Alcoholism treatment	Insulin
Ambulance services	Laboratory fees
Artificial limbs <sup>3</sup>	Laser eye surgery <sup>4</sup>
Chiropractic care	Naturopathic healers
Christian Science practitioners	Orthopedic shoes
Contact lenses (corrective)	Orthodontic treatment
Contact lens solutions	Oxygen
Copayments	Nursing services <sup>1</sup>
Crutches	Psychiatric care
Deductibles	Periodontal fees
Dental fees <sup>1</sup>	Physical therapy
Dentures	Smoking cessation programs/treatments
Diagnostic tests	Surgery <sup>1,4</sup>
Drug addiction treatment	Telephone for the hearing-impaired
Drugs (prescription only) <sup>2</sup>	Transplants of organs
Eye examinations	Transportation <sup>5</sup>
Eyeglasses <sup>3</sup>	Vaccinations
Guide dog expenses	Weight loss programs <sup>6</sup>
Hearing aids & exams	Wheelchairs
Holistic healers	

- 1 Some health care treatments or services, including those deemed cosmetic in nature, require written proof of medical necessity from your health care provider with your initial reimbursement request and for each subsequent Plan Year that you participate.
- 2 Not all drugs requiring a prescription are approved by the IRS as eligible for reimbursement. Prescription drugs that are used solely for cosmetic purposes are not eligible for reimbursement.
- 3 The effective date that expenses are incurred (for example, eyeglasses and prosthetic devices) is the day the item is available to be picked up, not the date ordered.
- 4 Unused funds designated for the HCSAccount cannot be refunded to you. Please verify with your health care provider (prior to enrolling for the upcoming Plan Year) that you are a suitable candidate for any surgical procedure before committing the money to your HCSAccount.
- 5 Must be primarily for, and essential to, medical care. Reimbursable expenses include 18 cents per mile (2006) for automobile use, parking fees, tolls, subways, buses, trains and air travel.
- 6 Expenses incurred for weight loss programs and special foods may only be reimbursable if a physician prescribes the treatment as medically necessary to prevent, treat or alleviate a specific, diagnosed medical illness (such as hypertension, diabetes, or obesity).

## Ineligible Expenses

Certain health care expenses are not eligible for reimbursement from your HCSAccount, *some* of which are listed below.

## Some INELIGIBLE Expenses

Cosmetic procedures	Insurance premiums
Cosmetic surgery	Marriage counseling
Dance lessons	Massage therapy <sup>1</sup>
Electrolysis	Over-the-counter drugs <sup>2</sup>
Exercise equipment <sup>1</sup>	Over-the-counter supplies <sup>2</sup>
Fitness programs <sup>1</sup>	Smoking cessation drugs (over-the-counter) <sup>2</sup>
Glucosamine/chondroitin	Teeth whitening/bonding
Hair transplants	Vision warranties
Health club memberships	Vision service contracts
Herbal remedies	Vitamins <sup>1,2</sup>
Holistic medicines	

1 May be an eligible expense if prescribed by a doctor to treat a specific medical condition. Written proof of medical necessity is required.

2 Beginning January 1, 2004, over-the-counter drugs and expenses are reimbursable for certain employees.

## Over-the-Counter Drugs

Over-the-counter (OTC) drug expenses are reimbursable through the HCSAccount for certain employees. Reimbursable expenses include allergy remedies, antacids, cold medicines, and pain remedies.

For the 2007 Plan Year, the following employee groups are eligible for OTC drug reimbursement: CSEA, PEF, UUP, M/C, NYSCOPBA, PBA, NYSPIA, DC-37, all bargaining units in the Unified Court System, and employees of the Legislature. Pending the outcome of negotiations, OTC drug coverage may be extended to additional State employee groups at a later date. Visit the FSA Web site or call **1-800-358-7202** to find out if you are a member of an employee group that is eligible for OTC drug reimbursement.

# Health Care Spending Account

## Changes In Status

Once enrolled in the HCSAccount, you may not change your mind. Your pre-tax deductions will continue throughout the Plan Year. However, there are certain circumstances where a change in your annual election may be permitted, as long as the change is consistent with the change in your family situation. For example, if you become married during the Plan Year, you may increase the amount of your contribution, and if you lose a dependent during the Plan Year, you may reduce the amount of your contribution. However, you are not allowed to reduce your election amount to \$0 if you have a change in status. Below is a list of eligible changes in status (CIS):

- Change in legal marital status such as marriage, death of spouse, divorce, legal separation, or annulment
- Change in number of eligible dependents due to birth, death, adoption, or placement for adoption
- The taking of, or return from, an unpaid leave of absence for the employee
- Beginning or end of employment for the employee
- Gain or loss of spouse's or eligible dependent's eligibility for health insurance coverage due to a change in employment
- Gain or loss of your dependent's eligibility for health insurance by attaining a specified age, due to a change in student or marital status, or because of any other circumstance

If you have a CIS, call Customer Service or visit our Web site at [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us) to complete a change in status application. Your change in status application must be received within **60 calendar days** of the qualifying event, but as promptly as possible to prevent unwanted, non-refundable deductions. You will also need to include documentation to support the change request, such as a copy of a marriage license, divorce decree, birth certificate, adoption decree, or death certificate.

The effective date of your new period of coverage will generally be the date your application is received by the FSA Administrator, unless you are a new employee. In addition, if you are enrolled in the HCSAccount when the Plan Year begins on January 1 and you submit a change in status request during the Plan Year, you will have two distinct periods of coverage from which expenses must be incurred and will be reimbursed.

CIS applications will be accepted during the Plan Year until November 15. Applications received after that date can't be processed in time for the last payroll deduction of the year.

## HCSAccount Claims Process

### How do I file a claim for health care expenses?

To request reimbursement for health care expenses under the HCSAccount, you must complete the HCSAccount reimbursement

request form and provide proper documentation. Filing a claim is easy. Here's how:

1. Receive health care services. A health care service expense is incurred when the services are provided that create the expense. You must receive health care services before you file a claim for reimbursement. However, if you are on a monthly payment plan for orthodontia services, you may submit a request for reimbursement after each monthly payment is due, even if no office visit takes place during that month. A copy of the orthodontia contract must be included with your first claim for the Plan Year.
2. Use the reimbursement request form provided by the FSA Administrator and list each separate eligible expense individually on the claim form.
3. Attach a statement from your health insurance plan showing the amount of the medical expense that has not been reimbursed or attach copies of receipts, billing statements, invoices, or other appropriate supporting documentation from the health care provider. Canceled checks or credit card receipts will not be accepted. The receipts, billing statements or invoices must include the:
  - name of the person for whom the service was provided
  - name and address of the health care provider
  - amount charged for each service
  - type of service and the date performed
  - if a prescription drug expense, a receipt containing the prescription number and drug name
4. Submit claims to FBMC after you have received health care services and know the amount of the bill for which you are responsible. All completed reimbursement request forms and supporting documentation must be mailed or faxed directly to FBMC.

Remember, when the Plan Year ends on December 31, you still have 90 days to send in a reimbursement request form for expenses you incurred during the Plan Year. So, you have until March 31 to submit claims for services rendered from January 1 through December 31 of the preceding year.

**Note:** You can only be reimbursed for expenses that are incurred during your period of coverage.

- If you enroll during the open enrollment period and remain on the State payroll for the entire year, your period of coverage is from January 1 to December 31.
- If you enroll during the Plan Year as a new employee, your period of coverage will begin after the completion of 60 consecutive calendar days of State service and end on December 31.
- If you enroll during the Plan Year as a result of a CIS, your period of coverage will begin when your change in status application is received, although it cannot precede the date of your qualifying event. Your coverage will end on December 31.

# Health Care Spending Account

- If you enroll during the open enrollment period and experience a mid-year change in status, you will have two separate periods of coverage from which expenses will be reimbursed.

## When will I be reimbursed?

The FSA Administrator will review your reimbursement request form and supporting documentation and, if they are complete, will authorize payment. You will receive a reimbursement check once your claim is approved. You can also **Enter the RACE** for direct deposit of your reimbursements into your checking or savings account.

No reimbursement can be made prior to the service actually being provided. However, once you sign up for the HCSAccount and decide how much you want to contribute, that total amount is available to you at any time during your period of coverage. It's like a cash advance because you don't have to wait for the cash to accumulate in your account before you can use it to pay for your unreimbursed, eligible health care expenses. Your money is tax free *and* interest free!

## Payroll Changes

### What happens if I leave the payroll during the Plan Year?

If you leave the payroll due to termination of employment or leave without pay (including leave under the Family and Medical Leave Act), or for any other reason, and stop contributing to your account, your eligibility in the HCSAccount will be terminated. You will still be able to submit claims for expenses that occur on or before your last paycheck deduction, but any health care expenses that occur *after* your contributions stop will not be reimbursed.

However, under certain circumstances you may still continue participating in the HCSAccount after you leave the payroll:

- If you are eligible to elect COBRA coverage, you can make after-tax payments directly to FBMC, although under the direct pay option, you won't save money on your taxes. If you leave the payroll during the Plan Year (either temporarily or permanently) and want to continue your coverage, FBMC will send you a COBRA notice that you must sign and return by the specified deadline.
- If you retire, terminate employment, or take a planned leave of absence (such as under the Family and Medical Leave Act) you can pre-pay your election by increasing the amount of your biweekly deductions to compensate for the deductions you expect to miss once you leave the payroll. If you choose this option, you must contact the Plan via e-mail at [fsa@goer.state.ny.us](mailto:fsa@goer.state.ny.us) as soon as possible to arrange for your deductions to be adjusted before you receive your last paycheck.
- If you return to the payroll during the same Plan Year, you can re-enroll if you submit a change in status application within 60 days of your return to work. CIS applications will be accepted during the Plan Year until November 15.
- If you leave and then return to the payroll, you may re-enroll, but only for the same election amount that you had at the time you left the payroll. However, as with any mid-year change in status, you will then have two distinct periods of coverage from which expenses must be incurred and will be reimbursed.

Remember, even if you re-enroll in the HCSAccount after you return to the payroll, you will not be reimbursed for health care expenses incurred while you stopped contributing to your account.

## Saving with the HCSAccount

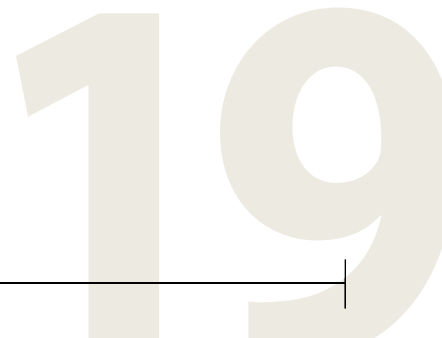
The chart at left shows an example of the HCSAccount tax advantage based on the 2005 federal and state income tax tables. The projections made on this sheet are only estimates of tax information and should not be assumed to be tax advice. We also encourage you to use the HCSAccount online calculator to help estimate your potential savings based on your specific situation, but keep in mind the amount of your tax savings cannot be guaranteed. Be sure to consult a tax advisor if you require tax advice for your financial situation.

### Tax Savings Example

A single employee earns \$53,000, declares 2 dependents and files as head of household. The annual HCSAccount contribution is \$1,300 and the employee incurs \$1,300 in reimbursable health care expenses.

	With HCSAccount	Without HCSAccount	Savings With HCSAccount
Annual Income	\$53,000	\$53,000	
Expenses Paid through HCSAccount	<u>-1,300</u>	<u>0</u>	
Adjusted Gross Income	\$51,700	\$53,000	
Federal Income Tax	-4,701	-4,896	\$195
New York State Income Tax	-2,124	-2,213	89
Social Security Tax	-3,955	-4,055	100
After-Tax Cost of Health Care Expenses	<u>0</u>	<u>-1,300</u>	
Your Spendable Income (assuming there are no other payroll deductions)	\$40,920	\$40,536	<b>\$384</b>

**This employee could save \$384 in taxes by using the HCSAccount!**



# HCSAccount FAQs

**How do I know if I should enroll in the HCSAccount?** If you answer “yes” to any of the following questions, and pay income taxes, you can save money if you enroll in the HCSAccount:

- Do you expect to pay deductibles and copayments under your medical, dental, and prescription drug insurance plans during the next year?
- Is anyone in your family planning on receiving orthodontia or other dental treatment during the next year?
- Are you or another family member planning to undergo a non-cosmetic medical procedure that is either not covered or only partially covered under your health insurance plan?
- Is anyone in your family planning on buying a hearing aid, corrective contact lenses or eyeglasses, and expecting to pay more than your health insurance plan will allow?

**Is an employee required to participate in the New York State Health Insurance Program (NYSHIP) in order to participate in the HCSAccount?** No. If an employee has coverage elsewhere, he or she may still enroll in the HCSAccount as long as the eligibility criteria for the program are met.

**Does the HCSAccount replace my medical plan?** No. This program offers you a way to pay for eligible out-of-pocket health care expenses with pre-tax money. You cannot submit expenses for which you have received or will seek reimbursement from your health care plan or other source. So, you should first submit your claims to your health insurance plan so that it can pay according to the plan limits. Then, the remaining out-of-pocket eligible expenses can be submitted to the HCSAccount for reimbursement.

**Whose expenses are eligible for reimbursement under the HCSAccount program?** The HCSAccount may be used to reimburse health care expenses for you, your spouse, and anyone who is defined as a qualifying child or qualifying relative by the Internal Revenue Code.

**Are my domestic partner's health care expenses eligible for reimbursement from my HCSAccount?** According to the IRS, health care expenses for a domestic partner cannot be reimbursed through a Health Care Spending Account *unless* the domestic partner qualifies as a dependent under the Internal Revenue Code.



**If my spouse and I are State employees, can we both enroll in the HCSAccount?** Yes. Any eligible State employee may enroll in the HCSAccount, up to the maximum contribution of \$4,000 per individual. However, if both spouses enroll, each health care expense can only be reimbursed once.

**Can I request reimbursement from the HCSAccount program for services I receive before the Plan Year begins if I am not billed until after the Plan Year starts?** No. According to IRS guidelines, a qualified expense is “incurred” at the time the service is provided, not when you are billed (or charged) or actually pay for the service. Therefore, reimbursements made during a Plan Year are only for eligible expenses incurred during that same Plan Year.

**Can the HCSAccount pay my doctor directly?** No. Payment is made only to the enrollee.

**Are dental implants reimbursable?** Yes. Dental implants are reimbursable as long as they are not a cosmetic treatment.

**What happens if my medical expenses change during the Plan Year? Can I increase or decrease my HCSAccount contributions?** No. According to IRS rules, a change in medical expenses is not a qualifying event that would allow you to change the amount of your HCSAccount annual election. So, if you incur more medical expenses during the Plan Year you cannot increase your HCSAccount contributions, and if your medical expenses are less than you had planned, you cannot reduce your HCSAccount contributions.

**Can health care services that require up-front payment to the provider be reimbursed from the HCSAccount in a single Plan Year, even if the health care is delivered over several Plan Years?** No. IRS regulations do not allow medical expenses to be reimbursed through the HCSAccount until they have been incurred. Expenses are not incurred until treatment is provided to the participant, regardless of when the participant pays the provider.

**Are expenses that are reimbursed by the HCSAccount eligible to be deducted on my tax return as a medical expense?** No, because you have already received reimbursement with tax-free dollars. Only expenses that are not reimbursed through an insurance plan, some other source, or the HCSAccount may be claimed on your income tax return.

**Can travel expenses related to my medical care be reimbursed through my HCSAccount?** Yes. The IRS permits you to be reimbursed for amounts paid for transportation primarily for, and essential to, medical care. You can receive reimbursement for car mileage (18 cents per mile in 2006), parking fees, tolls, subways, buses, trains, air travel, and lodging if the costs are incurred primarily to receive medical care.

**Will the HCSAccount reimburse the cost of my prescription drug, even if my insurance plan won't pay for part of it?** Any prescription drug can be reimbursed as long as it is used to treat a medical condition. Prescription drugs that are primarily used for cosmetic purposes can't be reimbursed.

**Can over-the-counter drugs, herbal medicines, and homeopathic remedies be reimbursed if my doctor or medical provider prescribes them to treat my medical condition?** Over-the-counter drugs and supplies are reimbursable if you are a member of a bargaining unit that is eligible for such coverage. Herbal medicines and homeopathic remedies are not reimbursable under the HCSAccount.

**If I should incur an eligible change in status can I increase or decrease my HCSAccount amount?** Yes, however your change must be consistent with the event. The IRS requires that the FSA Administrator treat the periods prior to and subsequent to the change as two separate periods of coverage for reimbursement purposes.

**If I leave State service or take an unpaid leave of absence before the end of the year, what happens if the reimbursements I have received during the Plan Year are greater than the amount of money I have contributed to my account? Do I have to pay any of it back?** If you have been reimbursed more money than you have contributed to the Plan, you are not required to pay the money back when you leave the payroll.

**Will the Plan pay for upgrades to my prescription glasses?** Yes. You can be reimbursed for the cost of upgrades or add-ons (such as scratch-resistant coating) to your prescription lenses and frames. There is no limit on dollar amounts of the upgrades or add-ons. Non-prescription glasses and sunglasses are not reimbursable.

**How do I know if my child's orthodontia will be reimbursed? How are orthodontic expenses reimbursed if I pay my provider on a monthly payment plan?** Orthodontic expenses are reimbursable if they are not cosmetic in nature. At the beginning of the Plan Year in which you first request reimbursement for these expenses, you must submit a copy of the service contract between you and the orthodontist describing the payment arrangement/schedule.

Orthodontia costs that are paid on a monthly payment plan will be reimbursed after each monthly payment is due. However, if you pre-pay the entire cost of orthodontia treatment up front, you will only be reimbursed in a particular Plan Year for the value of the services that will be provided during that Plan Year.

**If I am divorced and my divorce decree allows my ex-spouse to claim our child as a dependent at tax time, can I still use my HCSAccount to pay for my child's unreimbursed health care expenses?** Yes, the IRS still considers your child as a dependent for your HCSAccount, so you may submit your child's medical claims to the Plan for reimbursement.

**What happens if I retire, terminate employment with the State, or take an unpaid leave of absence during the year?** If you retire, terminate employment, or take an unpaid leave of absence during the Plan Year, your coverage will be terminated once you leave the payroll and stop contributing to your account, unless you plan ahead during open enrollment. You can contribute your full annual election before you leave the payroll, which will enable you to use your account for expenses incurred after you leave.

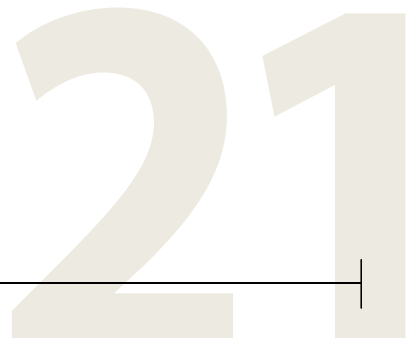
When you apply for enrollment, make sure to indicate the number of paychecks you expect to receive before you leave the payroll. If you are unable to plan ahead, you may still continue to participate in the HCSAccount by making after-tax COBRA payments directly to FBMC, or by arranging to pre-pay the balance of your annual election before you leave the payroll. E-mail the Plan at [fsa@goer.state.ny.us](mailto:fsa@goer.state.ny.us) if you wish to arrange pre-payments.

**What happens to the money in my account if I separate from State service during the Plan Year? Can I use it after I leave?** If you retire, leave State employment, go on leave without pay, or otherwise stop contributing to your account, the money in your account can only be used for services that occurred *before* you left the payroll. However, if you continue to contribute to the HCSAccount after you leave the payroll by making after-tax payments directly to FBMC, or if you pre-pay the balance of your annual election before leaving the payroll, you will be able to submit claims for services that occur after you leave your State job.

**I am an adjunct professor at a State University, and don't expect to receive paychecks during the summer months. Will that affect my participation in the HCSAccount?** Yes. If you are an adjunct employee and leave the payroll at the end of the spring semester, your eligibility will be terminated once you stop contributing to your account. However, if you plan ahead during the open enrollment period and select the option of contributing your full annual election by the end of the spring semester, your participation will continue uninterrupted after you leave the payroll.

**If my spouse or I have health insurance coverage elsewhere, can I still enroll in or use the HCSAccount to pay for my family's expenses?** Yes. You can participate in the HCSAccount even if you are not enrolled in the New York State Health Insurance Program.

**If I was not eligible to enroll in the HCSAccount during the open enrollment period, but gain eligibility during the Plan Year, can I enroll mid-year?** No. A change in eligibility is not a change in status event that would allow you to enroll in the HCSAccount during the Plan Year.



# Dependent Care Advantage Account

## **What is the Dependent Care Advantage Account?**

The Dependent Care Advantage Account (DCAAccount) is a negotiated employee benefit that helps State employee families who have to pay for child care, elder care, or disabled dependent care while they are at work.

The DCAAccount is managed by staff of the Family Benefits Program. The DCAAccount Team consists of staff located in Albany, New York who are specially trained in this employee benefit. They maintain a very active role in the day-to-day administration of the program and serve as the liaison between FBMC and New York State employees.

Call the FSA Hotline at 1-800-358-7202, then press 2. You will receive expert assistance with questions you may have about the program. For the hearing impaired, this Hotline can be accessed through the New York Relay System.

## **Who is Eligible to Enroll?**

Employees who work for the New York State Executive or Legislative Branches, judges, justices and non-judicial employees of the Unified Court System, and employees of Participating Employers are eligible, provided the employee receives a regular, biweekly paycheck from the Office of the State Comptroller. Part-time employees are eligible as long as their biweekly paychecks can support their DCAAccount deduction. Employees of NYSERDA, EFC, and Roswell Park Cancer Institute are also eligible to participate.

New employees are immediately eligible for this benefit, but must enroll within 60 days of their hiring date. The Plan Year contribution amount will then be pro-rated over the remaining pay periods in the calendar year.

The IRS definitions regarding dependents may affect your DCAAccount reimbursement. Use this information to determine if your expenses are eligible.

## **Who is not eligible to enroll?**

Employees of the SUNY Research Foundation, HRI, and Thruway Authority are not eligible for the NYS FSA program and should contact their Human Resources office regarding a similar benefit through their employer.

## **Whose expenses are eligible under the new definition of dependent?**

You may use your DCAAccount to receive reimbursement for eligible dependent care expenses for qualifying individuals.

A qualifying individual includes a **qualifying child**, if he/she:

- is a U.S. citizen, national, or a resident of the U.S., Mexico, or Canada
- has a specified family-type relationship to you
- lives in your household for more than half of the taxable year



- is 12 years old or younger
- has not provided more than one-half of his/her own support during the taxable year

A **qualifying individual** includes your spouse, if he/she:

- is physically and/or mentally incapable of self care
- lives in your household for more than half of the taxable year
- spends at least eight hours per day in your home

A qualifying individual includes your **qualifying relative**, if he/she:

- is a U.S. citizen, national, or a resident of the U.S., Mexico, or Canada
- is physically and/or mentally incapable of self care
- lives in your household for more than half of the taxable year
- spends at least eight hours per day in your home
- receives more than one-half of his/her support from you during the taxable year

**Note:** If you are a tax dependent of another person, you cannot claim qualifying individuals for yourself. You cannot claim a qualifying individual if he/she files a joint tax return with his/her spouse. Only the custodial parent of divorced or legally-separated parents can be reimbursed using the DCAAccount.

# Dependent Care Advantage Account

*The Employer Contribution will provide up to \$700  
for eligible employees.*

## Employer Contribution

The Employer Contribution will provide up to \$700 for employees in eligible bargaining units who enroll in the DCAAccount. The Employer Contribution is based on salary and is available to Executive Branch State employees who are M/C or represented by CSEA, PEF, UUP, GSEU, DC-37, or are employed by the Legislature. The 2007 Employer Contribution rates are:

Employee Salary	Employer Contribution
Over \$70,000	\$200
\$60,001 - \$70,000	\$300
\$50,001 - \$60,000	\$400
\$40,001 - \$50,000	\$500
\$30,001 - \$40,000	\$600
Up to \$30,000	\$700
GSEU Employees only (regardless of salary)	\$500

If you work less than full-time, your Employer Contribution will be based on your *annualized salary*.

You may decide to enroll in the DCAAccount for the full cost of care, up to the \$5,000 maximum allowed by law, or for just the amount of the Employer Contribution. If both you and your spouse are State employees and are M/C or represented by one of the public employee unions noted above, you could both receive the Employer Contribution by enrolling separately in the DCAAccount.

## What You Need To Know Before Enrolling

The *maximum* you may put into the account is \$5,000, including any Employer Contribution for which you may be eligible. But, if you or your spouse earn less than \$5,000 annually, you cannot put more money into the account than your income or your spouse's income—whichever is *less*.

The IRS \$5,000 maximum contribution rule is applied to households. That is, if both you and your spouse are eligible to participate in the DCAAccount (or a similar program offered by another employer), the total household contribution is limited to \$5,000. If you are married and use the "Married Filing Separately" tax filing status, the IRS limits contributions to \$2,500 for each spouse. The \$2,500 maximum also applies to individuals who file "Single, Not Head of Household" and to individuals who use the "Married Filing Jointly" tax filing status, but have a disabled spouse.

Expenses must be for service provided from January 1 through December 31 of the Plan Year.

If the services are for child care, your child must be under 13 years old and must be your dependent as defined by federal tax rules. But the services may be provided for a child or adult of any age if he or she is disabled and unable to care for her/himself and spends at least eight hours of the day in your home.

The services may be provided either in your home or elsewhere, but not by someone whom you also claim as your dependent for income tax purposes. For example, you may not pay your older child to care for your younger child or elderly parent.

The IRS requires you to provide the name, address and taxpayer identification number (or Social Security number) of the person providing the care. You must provide this information when you submit a reimbursement request form and when you file IRS Form 2441 with your income tax return (or Form 1040A Schedule 2 Child and Dependent Care Expenses for Form 1040A Filers).

Any funds that you do not claim for reimbursement are forfeited at the end of the Plan Year and will be used to offset the costs of administering the program. The IRS prohibits these funds from being returned to individual plan participants.

## How Do I Enroll?

You may enroll in the DCAAccount each fall during the open enrollment period. The 2007 open enrollment period begins September 25, 2006, and concludes November 10, 2006.

- Use the DCAAccount Worksheet on Page 8 to help you estimate what your dependent care expenses will be for the 2007 calendar year. The DCAAccount Tax Calculator will help you figure out if the DCAAccount will save you more money than the Federal and State Child and Dependent Care Tax Credits.
- Based on your estimated expenses, decide how much of your salary you want to set aside in your DCAAccount. If you are eligible for an Employer Contribution, be sure to follow the online instructions carefully. Each pay period, a regular portion of the amount you decide upon is taken out of your biweekly paycheck pre-tax through automatic payroll deduction. The number of payroll deductions will be determined based on the number of paychecks you expect to receive during the Plan Year and will be made before your state, federal, and Social Security (and New York City, if applicable) taxes are calculated.

# Dependent Care Advantage Account

If you are enrolling just for the amount of the Employer Contribution, your DCAAccount will be fully funded by New York State, and no payroll deductions will be taken from your paycheck.

- You can enroll in the DCAAccount online at [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us). Select "Apply Now" from the menu and follow the instructions on the page. Be sure to indicate the amount of your annual election for the 2007 Plan Year, including the amount of your Employer Contribution, if eligible. Once you complete the online enrollment application, click the "Submit My Application" button and you are done. The process is quick, easy and secure. Be sure to print a copy of your application for your records.

If you do not have Internet access, you can enroll by calling FBMC at **1-800-358-7202**. A Customer Service Representative will ask you all the information needed for your enrollment application.

Remember, your enrollment application must be submitted either online or via telephone during the open enrollment period for the new Plan Year. The online and telephone application process automatically shuts down at the end of the open enrollment period.

- If you are already in the DCAAccount, you must submit a new enrollment application during the open enrollment period to continue your participation in 2007. Re-enrollment is not automatic.

## Eligible Expenses

To use the DCAAccount, you must be paying for dependent care so that you and your spouse (if you are married) can work or go to school. If your spouse is not disabled, not at work or not in school, it is assumed he or she is available to care for the dependent.

### Some ELIGIBLE Expenses

Adult day care  
Au pair  
Baby sitter  
Before/after school programs  
Child care center  
Family care provider  
Home aide  
Housekeeper or cook (who also provides custodial care)  
Nursery school  
Pre-school programs  
Summer day camp

### Some INELIGIBLE Expenses

Activity fees  
Books  
College tuition  
Deposits  
Diaper service  
Insurance fees  
Meals  
Medical expenses  
Piano, ballet, art lessons, etc.  
Registration fees  
Residential nursing home  
Sleep over camp  
Supplies  
Transportation fees (unless provided by the caregiver)  
T-shirts  
Tuition (kindergarten and up)

## Changes In Status

You must enroll during the open enrollment period, unless you have a change in status event that occurs after the open enrollment deadline.

Once enrolled in the DCAAccount, you may not change your mind. Your pre-tax deductions will continue throughout the calendar year. However, there are certain circumstances where a change may be permitted. Here are some examples of eligible changes in status (CIS) events:

- Marriage
- Divorce or Separation
- Death (spouse/dependent)
- Birth or adoption of a child
- Beginning or end of employment (employee or spouse)
- Dependent disability
- From full-time to part-time employment or vice versa (employee or spouse)
- Beginning of or return from leave of absence (employee or spouse)
- Change in work schedule (employee or spouse)
- Change in custody of dependent
- Change in rate paid
- Change in care provider
- Dependent reaches age 13

If you have a CIS, you must submit your application online or by phone within 60 days of the qualifying event, but as promptly as possible to prevent unwanted, non-refundable deductions. Your application to start, change, or terminate your account becomes effective once the date of the CIS event has elapsed or the date your application is received, whichever is later. Any change in your DCAAccount contributions must be consistent with the change in status. For example, if your child care provider raises

# Dependent Care Advantage Account

fees, you may increase your DCAAccount contributions. No additional documentation or verification of the eligible event is required. It is your responsibility to keep legal documentation of the changes in your personal records in case the IRS audits you.

If you are starting an account after the Plan Year has begun with an eligible CIS event, your expenses will be eligible for reimbursement from the date your application is received, or the date of your CIS, whichever is later, through December 31. CIS applications will be accepted during the Plan Year until November 15. Applications received after that date cannot be processed in time for the last pay period of the year.

If you change your election during the year, please remember that the Employer Contribution is a one-time annual amount for eligible employees when they first open a DCAAccount for the Plan Year.

## **DCAAccount Claims Process**

### **How do I file a claim for dependent care expenses?**

It's easy to submit a claim for reimbursement from your DCAAccount.

- Fill out a reimbursement request form after services have been provided.
- Mail or fax it to FBMC with the invoice or receipt.
- Or, you may find it easier to have your care provider countersign the claim form—then you do not need to attach an invoice or receipt.
- Submit reimbursement request forms as often as you like. Many participants submit biweekly, others submit on a monthly basis, and some submit just once a year. It's up to you.

The reimbursement request form must include the provider's name, address, and taxpayer ID number (or Social Security number), the period during which the services were provided, and the amount you were charged. Attach a receipt or invoice to the reimbursement request form. Or you can use the form as a receipt, if your provider countersigns the form with you.

Claims for services you have to pay for ahead of time (like summer day camp) cannot be reimbursed until the services have been provided. You can prorate this large expense as the services are rendered, however, and submit claims on a biweekly or monthly basis until you are fully reimbursed.

When the Plan Year ends on December 31, you still have 90 days to send in a claim form for expenses you had during the Plan Year. So, you have until March 31 to submit claims for services rendered from January 1 through December 31 of the preceding year.

### **When will I be reimbursed?**

FBMC will review your reimbursement request form and, if it is complete, authorize it for payment up to the amount of money accumulated in your account.



If you submit a receipt for more money than you have in your DCAAccount, the balance will be paid automatically when the funds are deposited from your next payroll deduction.

You will receive a reimbursement check once your claim is approved. Or you can **Enter the RACE** for direct deposit of your reimbursements into your checking or savings account.

## **Payroll Changes**

### **Terminations**

Your deductions will automatically stop if you leave State payroll. If you return to the New York State payroll, you have 60 days from your return to renew your enrollment.

### **Leave With Pay**

Payroll deductions will continue for participants on sick leave, vacation, and sick leave at half-pay, provided there are sufficient funds in the paycheck. Deductions will not continue for employees receiving short or long-term disability benefits through the Income Protection Plan (IPP).

Some of these situations may be considered eligible changes in status. If you have a question about your situation, contact the DCAAccount Team in Albany. We will help you determine whether a termination of participation or adjustment in the amount of deduction may be required. Use the FSA Hotline at **1-800-358-7202**, then press 2.

# Dependent Care Advantage Account

## What to do at Tax Time

Your DCAAccount contributions will be reflected in Box 10 of your W-2 Form for 2007. Therefore, it is important that you file the appropriate forms with your income tax returns. If you do not, the IRS is likely to audit your tax return.

- File IRS Form 2441 for Child and Dependent Care Expenses, **Part I** and **Part III**, with your federal income tax return. **Part I** requests information on the persons or organizations providing care, including their Social Security or federal identification number. **Part III** determines the amount of dependent care benefits that are eligible for tax exclusion. (*Form 1040A filers will file Form 1040A Schedule 2 Child and Dependent Care Expenses*).

If you enrolled in the DCAAccount just for the amount of the Employer Contribution, you must still file IRS Form 2441 (*or Form 1040A Schedule 2 Child and Dependent Care Expenses for Form 1040A filers*).

- If you use an au pair who is not a U.S. citizen, you should file a SS 5 application form requesting a Social Security Identification Number for the au pair. This form is available from the Social Security Administration (**1-800-722-1213**). At the end of the tax year, the au pair should file an IRS 1040NR (Non-Resident Taxpayer) form. This form indicates wages paid to the non-resident during the tax year.
- If you have an employer/employee relationship with your care provider, you are responsible for paying any applicable taxes and/or insurances on wages paid to the care provider. The wages and applicable taxes and/or insurances are considered expenses eligible for reimbursement through your DCAAccount.

**Please consult your tax preparer, tax attorney or accountant if you have any questions regarding your filing requirements.**

## Federal Tax Credit Or DCAAccount?

We encourage you to use the online calculator to help you decide whether to use the Federal and State Tax Credits or the DCAAccount, or a combination of both to maximize your savings. Log onto [www.flexspend.state.ny.us](http://www.flexspend.state.ny.us) to use the online calculator. As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), effective in January 2003, the IRS raised

the maximum allowable expenses for the Federal Tax Credit from \$2,400 to \$3,000 for one qualifying dependent and from \$4,800 to \$6,000 for two or more dependents.

These and other changes in the federal tax law may affect your potential DCAAccount savings. Your decision will depend on a number of factors such as your tax filing status (e.g., married, single, head of household), number of qualifying dependents, amount of dependent care expenses, earned income, etc.

If your family qualifies for the Federal Earned Income Tax Credit (EITC), participation in the DCAAccount, the HCSAccount, or both, may increase your EITC to your advantage. Consult your tax advisor or the IRS for additional information.



*You must submit the change in status application  
as soon as possible to prevent unwanted deductions.*



**How can payroll deductions to the DCAAccount be a benefit if I still have to pay for my dependent care expenses with my own money?** The money deducted from your paycheck is put into your DCAAccount before state, federal, social security and city (if applicable) taxes are taken. This allows you to be reimbursed with pre-tax, or whole dollars. State employees save several hundred dollars annually by participating in the DCAAccount. The amount you save is determined by the amount of money you set aside and your taxable household income. For an estimate of your savings, use the online calculator.

**How do I get reimbursed?** After the services have been provided, you submit a reimbursement request form to FBMC, along with a receipt or invoice for the services rendered—or your care provider may simply countersign the claim form. You can send in reimbursement request forms as often as you like and in any amount.

It is necessary to submit a reimbursement request form for all money set aside in your DCAAccount, including your Employer Contribution.

**Can I pay my mother to care for my kids?** Yes, as long as your mother is not your dependent and will give you her Social Security Number (SSN). You need her SSN so that you can report her as the caregiver when you file claims for reimbursement and when you file your income tax return. Your mother should report the payments as income. If your mother (or other individual related by blood or marriage) is your care provider and changes her rates, a change in cost of care in this situation is not considered an eligible change in status by the IRS.

**Can I pay my spouse?** No. You can't pay your spouse to care for your children. You also cannot pay your own child under age 19, or any other person you claim as a dependent. You can pay your mother, father, or any other relative, but they must provide you with their SSN for reimbursement to occur.

**Can I use the DCAAccount to pay a maid, cook, or housekeeper?** Yes, if the intent of the service is to provide your dependent with care while you work.

**What about kindergarten? Or private elementary school?** Tuition costs from kindergarten and up are not eligible.

**What if my child is cared for at my church?** In the case of a church or other religious affiliated tax-exempt day care center, you need only provide the name, address, and tax-exempt status of the religious institution.

**Can I participate in the DCAAccount if I use an au pair to care for my children?** Yes, you may use an au pair to provide dependent care services. But only the amounts paid to cover wages, taxes on those wages, and expenses incurred for lodging and food the au pair consumes in your home are eligible for reimbursement. Au pair agency fees and/or transportation fares are not considered expenses paid for the care of the dependent, and are therefore not eligible for reimbursement. Be sure you complete and file the appropriate tax forms with the IRS.

**What if my baby sitter won't give me her SSN?** In order to receive reimbursement, you must provide FBMC with your caregiver's SSN. Therefore, it is important that you discuss this program with your caregiver before electing to participate.

**Who determines whether a child or other dependent is mentally or physically incapable of self care?** You, as the participant, must determine if your dependent is physically or mentally incapable of self care. If audited, you may have to substantiate this to the IRS.

**Can I pay for my mentally disabled child's overnight expenses, since he's at the school during the day?** No. This account is only for daycare while you work—not for residential care, tuition for special educational schools, or medical care.

**Do my child's summer camp expenses qualify if occasional sleepovers are a part of any overall day program?** Probably, but the camp program must be a day camp. Sleepover camps do not qualify and your child must be under age 13.

**My elderly mother requires care. I pay someone to take care of her in her own home while I work. Is this an eligible expense?** No. The IRS requires that the person needing care reside in your home at least eight hours a day.

**My 20-year old son is mentally disabled and lives in my home. We pay a neighbor to care for him while we work. Is this cost reimbursable?** Yes. If your disabled dependent is unable to care for himself and your spouse also works, then the costs of caring for him in your home or at a special day care facility are reimbursable. The same rules apply if your spouse is disabled.

# DCAAccount FAQs

**I have a disabled friend who resides with me and for whom I contribute a sizable portion of financial support. I cannot claim him as a dependent for income tax purposes. Can I establish a DCAAccount for his care while I'm at work?** Yes, as long as the individual is a U.S. citizen, national, or a resident of the U.S., Mexico or Canada; lives in your household for more than half of the taxable year; spends at least eight hours a day in your home; and receives more than one-half of his or her support from you during the taxable year.

**If I should incur an eligible change in status allowing me to enroll in the DCAAccount during the year, how far back may I calculate my expenses?** If you join after the open enrollment period through an eligible change in status, your expenses would be eligible from the date your change in status application is received, or the date you experienced the change, whichever is later.

**What if my child turns age 13 during the middle of the Plan Year?** IRS regulations state that once a child turns 13, child care expenses are no longer eligible, unless the child is physically or mentally incapable of self care. Therefore, you may cancel your enrollment in the DCAAccount when your child reaches age 13.

**My child was expelled from daycare because of a biting habit and is now being cared for by a family member, free of charge. Can I terminate my DCAAccount?** Yes, since there has been a significant change in the coverage initiated by your care provider. A participant may elect to terminate his or her salary reduction for care expenses if the coverage provided by an "independent third party" (your daycare center) is significantly curtailed or ceases during the period of coverage.

**What if I'm laid off, fired, or quit my job?** If you leave State service during a Plan Year, you retain your account through the end of that Plan Year. This means that although you cannot make any additional contributions to your account, you have until December 31 of the Plan Year to incur eligible expenses—and until March 31 of the following year to file a reimbursement request.

**What if my spouse and I have separated, but are not yet "legally" separated? Is that a "change in status?"** No. But other circumstances typically surrounding such a separation might qualify, such as a change in employment schedule. In addition, the maximum allowable tax-free reimbursement could be reduced, for example, from \$5,000 to \$2,500 if you and your spouse use the tax filing status of "Married Filing Separately."

However, even in this situation, if you provide more than one-half the household support for a dependent who lives in your household more than six months in a year, you may be eligible for "Head of Household" tax filing status, which would allow the \$5,000 maximum reimbursement for dependent care expenses.

**If I become legally separated, how does this affect participation in the plan?** A participant who is legally separated is not considered married for purposes of the DCAAccount and may be reimbursed up to \$5,000 of eligible expenses—even if filing a separate tax return. Legal separation would constitute a change in status.

**Can my spouse and I both use the \$5,000 limit?** No. There is a \$5,000 limit on expenses that may be reimbursed each calendar year for married couples who file a joint return (\$2,500 limit for each spouse per year if you file separate income tax returns). If your spouse's employer offers a similar plan, remember you cannot be reimbursed for the same expenses by two plans.

**My spouse is a full-time student. Can we participate in the DCAAccount?** Yes. However, the maximum you can contribute to the DCAAccount is determined by the earned income of you and your spouse. As a student, the IRS considers your spouse to be gainfully employed. Earned income is calculated as not less than \$250 for one qualifying dependent and \$500 for more than one qualifying dependent for each month the spouse is a student.

For example, if you have two children in need of care, and your spouse is a student nine months out of the year and earns no other income, the maximum you can put into the DCAAccount is \$4,500.

**How do I know if the Federal Tax Credit or the DCAAccount is better for me?** We encourage you to use the online calculator to help you choose between the available taxable and tax-free benefits, or a combination of both. As the taxpayer, you must determine whether participation in the DCAAccount, claiming a federal and state tax credit or exclusion, or using a combination of the taxable and tax-free benefits is best for you. Your decision will depend on a number of factors such as your tax-filing status (e.g., married, single, head of household), number of qualifying dependents, amount of dependent care expenses, earned income, etc. Consult your tax advisor or the IRS for additional information.



**Can I take the Federal Tax Credit and be in the DCAAccount, too?** You cannot use the Federal Tax Credit and the DCAAccount for the same expenses. However, if you underestimate your DCAAccount contribution, the tax credit can be used for any remaining expenses up to the maximum allowed by the tax credit provisions.

The amount reimbursed through your DCAAccount reduces dollar-for-dollar the amount that can be used to calculate the Federal Tax Credit. Use the online tax calculator to find out how to maximize your savings.

**Will my dependent care deductions be reported to the IRS?**

Yes. Your deductions will be reflected on your W-2 form in Box 10. You must file IRS Form 2441 with your tax return (*or Form 1040A Schedule 2 Child and Dependent Care Expenses for Form 1040A filers*). Remember that IRS form 2441 requires you to provide a taxpayer identification number or Social Security number for each dependent care provider.

**I am a member of the DCAAccount Program and have enrolled for the full \$5,000. I know I need to file Form 2441 (or Form 1040A Schedule 2 Child and Dependent Care Expenses for Form 1040A filers) with my federal return. Do I need to file the New York State form IT 216 with my state income tax return?** No. You need only file IT 216 if you are filing for the income tax credit from New York State.

**I am divorced, and have physical custody of my seven-year old daughter. However, my ex-husband has retained the legal right to claim an exemption for our daughter for income tax purposes. Am I eligible to participate in the DCAAccount?** Yes. If a participant has physical custody of a child for more than half of the calendar year, who is either under the age of 13 or physically or mentally incapable of self care, but has granted the non-custodial parent the right to claim the child as a dependent, the child is considered your dependent for the purpose of participation in this program.

## DCAAccount Employer Contribution Questions

**What is the Employer Contribution?** The Employer Contribution is an amount of money that New York State will contribute to your DCAAccount when you enroll in the program. It was negotiated in collective bargaining to help you meet the high cost of quality child and elder care services and is available to Executive Branch State employees who are M/C or represented by CSEA, PEF, UUP, DC-37, or GSEU, or are employed by the Legislature. The 2007 Employer Contribution rates can be found on page 23.

**How is the amount of the Employer Contribution determined?**

The amount of the Employer Contribution is based on your NYS salary—not on your household income or the number of children you have. If you work less than full time, the amount of the Employer Contribution will be based on your *annualized salary* rather than on your part-time salary.

**My spouse is also a State employee and is represented by one of the unions listed above. Can we both enroll in the DCAAccount and get the Employer Contribution?** Yes. Apply for enrollment individually, and you will both receive the Employer Contribution based on your individual NYS salaries. Remember, your combined enrollments cannot exceed the \$5,000 maximum calendar year household limit set by the IRS.

**What is the minimum amount I can enroll for?** If you wish, you can enroll just for the amount of the Employer Contribution and your DCAAccount will be fully funded by New York State. You will have no biweekly DCAAccount deductions taken from your paycheck.

**My annual salary is \$45,000, but I am working at 50 percent. Will the Employer Contribution be based on my annual salary or my part-time salary?** The Employer Contribution will be based on your *annualized salary*, not your reduced salary due to your part-time schedule.

**If I enroll just for the amount of the Employer Contribution, what do I need to do at tax time?** If you enroll just for the amount of the Employer Contribution, that amount will appear in Box 10 on your W-2 form. Therefore, you must complete IRS Form 2441 (*or Form 1040A Schedule 2 Child and Dependent Care Expenses for Form 1040A filers*) with your income tax return.

**When will the Employer Contribution be credited to my DCAAccount?** If you enroll during the Open Enrollment Period, the Employer Contribution will be credited to your DCAAccount by January 2, 2007.

# 2007 Open Enrollment Calendar

- |                           |  |
|---------------------------|--|
| <b>September 25, 2006</b> | 2007 Open Enrollment period begins   |
| <b>November 10</b>        | 2007 Open Enrollment period ends at midnight<br>Online application disabled at midnight<br>Enrollment hotline disabled at midnight                             |
| <b>November 15</b>        | Last day to submit change in status applications for 2006 Plan Year<br>Last day to submit requests for adjustments for 2006 Plan Year                          |
| <b>November 23</b>        | Confirmation notices sent to all applicants  |
| <b>December 13</b>        | Deadline to make corrections to confirmation notices   |
| <b>January 10, 2007</b>   | First deduction taken from Administrative Payroll participants   |
| <b>January 18</b>         | First deduction taken from Institutional Payroll participants  |
| <b>March 31</b>           | Deadline for correcting administrative errors resulting from Open Enrollment process<br>Deadline for submitting Reimbursement Request forms for 2006 Plan Year |



[www.flexspend.state.ny.us](http://www.flexspend.state.ny.us)

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**New York State Governor's Office of Employee Relations**

George E. Pataki, Governor  
George H. Madison, Director

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