

**State of Michigan
2017 Flexible Spending Account
(FSA) Plan Booklet**



Health Care & Dependent Care



**Open Enrollment Period:
November 1, 2016 to November 30, 2016**

● Table of Contents ●

Flexible Spending Account (FSA) Overview

How FSAs Work	1
Annual FSA Enrollment	1
Advantages of FSAs	1
Eligibility	1
Claims	1
New Hire/Mid-Year Enrollment	1
Pre-Enrollment Information	2
FSA Grace Period	2
Qualifying Individual	2
Layoff or Leave of Absence	3
FSA Plan Differences	3
Enrollment	3
Claims Appeal Process	3
Calculating Contributions	3
Rehires/Recalls	3

Health Care FSA Plan Overview

Payment Options	4
No “Double Deductions”	4
Max Health Care Contribution	4
Eligible Health Care Expenses	4
Claims Substantiation	4
OTC Meds, Supplies, & Equipment Info	5
Travel Expenses	5
Eligible/Ineligible Health Care FSA Examples	5
Leaves of Absence, Layoffs, Seasonal Employees, Retiring, and Departures	6
Qualifying Life Events Info	6
Heroes Earnings Assistance & Relief Tax Act of 2008	6
Health Care Card Info	7
Reimbursement Time Frame	7

Dependent Care FSA Plan Overview

How Dependent Care FSAs Work	8
Max Dependent Care Contribution	8
Qualifying Individuals	8
Claim Reimbursement	8
Payment Options	8
Eligible Dependent Care Expenses	9
Eligible/Ineligible Dependent Care FSA Examples	9
Qualifying Life Events	9
Layoffs, Leave of Absence, Departures, & Retirees	10
Federal Tax Reporting	10
How to Enroll, Important Dates, Contact Info	10

Flexible Spending Accounts (FSAs) Overview

● How FSAs Work

The State of Michigan's Flexible Spending Accounts (FSAs) allow you to set aside **pre-tax dollars** to pay for eligible out-of-pocket expenses for health care and dependent care. The total amount you contribute for the year for each plan is called your "Annual Goal." The State offers two types of FSAs:

Health Care FSAs: These allow you to put aside payroll-deducted pre-tax dollars for health care expenses not covered by any medical, dental, or vision care plan. These expenses are allowed for you and qualifying individuals. See [Page 5](#) for a list of eligible Health Care FSA expenses.

Dependent Care FSAs: These allow you to put aside payroll-deducted pre-tax dollars to cover child and/or elder care expenses for your eligible dependents, so you can attend work, find work, or attend school. See [Page 9](#) for a list of eligible Dependent Care FSA expenses.

● Annual FSA Enrollment

The 2017 FSA Open Enrollment period is November 1st, 2016 through November, 30th, 2016.

You must enroll each year, even if you wish to elect the same annual contributions.

Enrollments expire every year on December 31st of the current plan (calendar) year and do not automatically carry over or renew. Enrollments for the 2017 plan year must be completed during the FSA Open Enrollment period or within 31 days of a qualifying life event.

There are two easy ways to enroll:

- Online: **MI HR Self-Service**
www.mi.gov/selfserv
- Contact **MI HR Service Center**:
Call: 877-766-6447
Monday—Friday, 8:00 a.m.—5:00 p.m.

Once the enrollment process is complete, you will receive a confirmation statement.

It is important that you review this confirmation statement once it is received to ensure the details of your enrollment are correct. You must retain this statement for your records. This confirmation statement is your only proof of successful enrollment.

At the end of December, you will receive correspondence from WageWorks®, confirming your Annual Goal contribution and the plan(s) in which you enrolled. Verify the accuracy of your contribution amount on your first pay warrant of the year.

● Advantages of FSAs

Your FSA contributions are deducted from your bi-weekly pay warrant on a pre-tax basis, before Federal taxes, Social Security taxes (FICA), and State taxes have been deducted. **For example, if you earn \$32,000 and contribute \$2,000 to your Health Care FSA, you will only pay taxes on \$30,000 resulting in savings.** To estimate your potential savings, access the WageWorks® [Health Care FSA Calculator](#) or [Dependent Care FSA Calculator](#).

On your Federal income tax return, you can only deduct medical expenses that exceed 10% of your adjusted gross income. **With FSAs, amounts up to \$2,600 for health care and \$5,000 for dependent care can be contributed and are reimbursable even for small amounts** such as copays, prescription expenses, and other medical, dental, and vision eligible expenses, or dependent care expenses like day care or elder care.

● Eligibility

All State of Michigan Employees can participate in FSAs, with the exception of non-career and special personal services (SPS) employees. Employees with an existing Health Savings Account (HSA) are not eligible for the Health Care FSA. Seasonal employees must ensure that the number of deductions elected does not exceed the number of pay-periods you expect to be employed during the year. Additionally, each employee must have sufficient earnings to cover the amount he or she chooses to contribute to an account.

● Claims

Reimbursements may only be made for claims incurred during the period of coverage. Expenses are incurred when the health care or dependent care is provided, not when you are billed or pay for the care. A period of coverage runs from January 1st of the plan year through March 15th of the following year.

Providing documentation is the only way to validate a claim. You must request and retain itemized receipts for all claims for which you request reimbursement.

● New Hire/Mid-Year Enrollment

New employees must contact the MI HR Service Center within 31 days of hire to enroll in FSAs. If you do not enroll during this initial eligibility period, you must wait until the next annual FSA Open Enrollment or until you experience a qualifying life event as described on [Page 6](#) and [9](#).

Note: Contributions to all plans, regardless of employer, cannot exceed the annual federal statutory limits.

Flexible Spending Accounts (FSAs) Overview

• Pre-Enrollment Information

Your 2017 FSA enrollment is effective January 1, 2017 through December 31, 2017, with a Grace Period extending until March 15, 2018.

Once you enroll, you cannot stop or change your deductions during the plan year, unless you experience a qualifying life event (refer to [Page 6](#) for Health Care FSA or [Page 9](#) for Dependent Care FSA). You can only be reimbursed for eligible expenses incurred from the effective date of your enrollment through March 15th of the following year. (See the column to the right for more on the 2-1/2 month Grace Period.)

Different rules apply to Health Care FSAs and Dependent Care FSAs. The Health Care FSA can be used by you and qualifying individuals (see the Qualifying Individuals section for more information) for eligible health, prescription, vision, or dental expenses remaining *after* claims have been paid by any insurance plan. For eligible Health Care FSA expenses, refer to [Page 5](#). **A Health Care FSA does not replace your insurance plan.**

If your employment terminates before December 31, 2016, refer to [Page 6](#) for options to continue your Health Care FSA. Dependent Care FSAs cannot be continued if your employment terminates.

Dependent Care FSAs are not Health Care FSAs for your dependents. Dependent Care FSAs are for eligible expenses incurred for the care of qualifying individuals, not a separate FSA for their health care expenses. For eligible Dependent Care FSA expenses, refer to [Page 9](#).

Funds are not transferable between your Dependent Care FSA and Health Care FSA. Also, you cannot transfer funds between your accounts and your spouse's accounts.

Estimate your expenses carefully. Do not contribute more than you can reasonably expect to spend on eligible expenses for the year. **The IRS requires that you forfeit any funds left in your account after the reimbursement deadlines have expired.** You will not be reimbursed for any remaining funds in your account after all eligible expenses, incurred by March 15, 2018 and submitted by May 31, 2018, have been processed.

• Pre-Enrollment Information, cont.

Your contributions will lower your Social Security Wage Base. FSA contributions will lower your Social Security taxes. Since your Social Security taxes will be calculated after your FSA contributions are subtracted, your Social Security benefits may be slightly lowered.

Your State benefits are not affected. FSA contributions lower your taxable income, but they do not lower the amount of salary used to calculate benefits, such as your Retirement Plan, Long Term Disability Insurance, or Group Life Insurance.

• FSA Grace Period

The IRS allows employers to provide a Grace Period; the State of Michigan has a Grace Period from January 1st through March 15th, following the end of a current plan year. Balances remaining in either type of 2017 FSA plan may be used to reimburse eligible expenses incurred during this period. Claims must be submitted by May 31, 2018 to be applied to your 2017 account balance. See [Page 6](#) for more info.

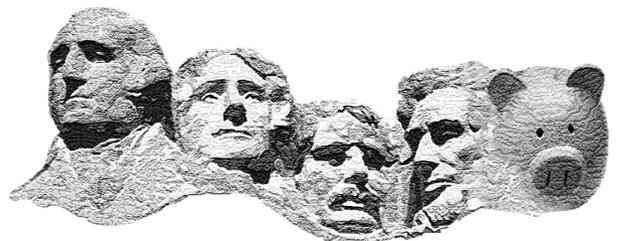
The State of Michigan does not currently offer a Health Care FSA carryover option due to the Grace Period option being offered.

• Qualifying Individuals

Qualifying individuals under Health Care FSAs include your legal spouse and your child(ren) age 26 and under. 26-year-old children are only eligible to be considered qualifying individuals up to the last day of the month in which they turn 26.

A qualifying individual also includes your parent or other individual as defined in IRS Code Section 105(b), such as one who is physically or mentally unable to care for him or herself and is claimed by you as a dependent on your taxes.

Other Eligible Adult Individuals (OEALs) and their dependents are not qualifying individuals for FSAs.



Flexible Spending Accounts (FSAs) Overview

● Layoff or Leave of Absence

Employees who elected to enroll during the 2017 FSA Open Enrollment, and then are placed on a leave of absence or seasonal layoff prior to January 1, 2017, will have their enrollment voided. If the employee returns to work, either before or after January 1, 2017, and wishes to re-enroll, they must submit a [Mid-Year Enrollment Form](#) to the Employee Benefits Division (EBD) within 31 days of returning to work.

Employees who miss the 2017 FSA Open Enrollment period due to a leave of absence or seasonal layoff are still able to enroll by submitting a [Mid-Year Enrollment Form](#) to EBD within 31 days of returning to work.

● FSA Plan Differences

You have access to the full amount of your Health Care FSA Annual Goal immediately after the start of the new plan year on January 1, 2017.

Dependent Care FSAs require that a sufficient amount of funds be in your account before a claim can be reimbursed. You do **not** have full access to your Dependent Care FSA Annual Goal upon the start of the new plan year, only what you've contributed up to a given point.

● Enrollment

If you are a current employee and enroll during the FSA Open Enrollment period, your plan is effective starting January 1, 2017 and ending December 31, 2017.

If you are a newly-hired employee, your coverage is effective the first day of the pay-period after your enrollment is processed, and ends December 31st of the current plan year.

If you have a qualifying life event and submit a [Mid-Year Enrollment Form](#) within 31 days of that life event, your coverage is effective the first day of the pay-period after your enrollment is processed, and ends December 31st of that current plan year.

● Claims Appeal Process

If a claim is denied, you will receive notification in writing no later than 30 days after the receipt of the claim. If you disagree with the decision, you may file a written appeal with WageWorks® no later than 180 days after receipt of the denial letter. If you still disagree with their decision, you may file a written appeal with the Employee Benefits Division within 28 calendar days from the date of the most recent appeal denial.

● Calculating Contributions ●

Each year, you will need to estimate the amount of out-of-pocket health care and/or dependent care expenses you expect to incur in the next calendar year. These amounts are your Annual Goal for each plan. Health Care FSAs and Dependent Care FSAs have different Annual Goal maximum contribution amounts; see [Page 4](#) and [8](#) for more information.

The Annual Goal you decide upon will be deducted from your pay warrants incrementally, at a rate you select. To calculate what your pay-period contribution amounts will be, decide how many pay-periods you wish to use to meet your Annual Goal (1 to 26). Divide your Annual Goal amount by the number of pay-periods you wish to use to determine your bi-weekly contribution, as shown in this example:

<u>Annual Goal</u>	<u># of Pay-Periods (PP)</u>	<u>PP Contribution</u>
\$2,600	÷ 26	= \$100.00
\$750	÷ 25	= \$ 30.00

If you elect to contribute toward your Annual Goal in fewer than 26 pay-periods, the number of pay-period deductions you elect will be taken consecutively at the start of the year. For example, if you elect 15 pay-period deductions, your contribution will be deducted from your first 15 pay warrants of the year.

● Rehires / Recalls ●

Employees rehired or recalled within 30 days of their departure and within the same plan year, who had an FSA, must maintain their original Annual Goal, unless there is a qualifying life event. There will be no lapse in coverage. Contributions will be recalculated.

Employees rehired or recalled after 30 days from their departure and within the same plan year, who had an FSA, will not be able to enroll until the next plan year. (Seasonal employees excluded.)

Employees rehired or recalled who were not previously enrolled in the current plan year FSA(s), may contact the MI HR Service Center within 31 days of their rehire or recall date to enroll.

Health Care FSAs Plan Overview

• Payment Options

1) WageWorks® Health Care Card

Present your Card to your health care provider to pay for office or prescription copays and other eligible expenses, at the time of service. Using this option, you may be asked to verify purchases by submitting substantiation documentation. Substantiation documentation may include an itemized bill or receipt showing the patient name, provider name, type of service, date of service, and amount you were charged. Cards expire every three years. Continue to use your current card until you receive a replacement.

2) Pay Me Back Claim

Submit a Health Care FSA Pay Me Back Claim online by logging into your account at www.wageworks.com and selecting “Submit Receipt or Claim.”

You also have the option to mail or fax a [claim form](#) to WageWorks®.

Along with the claim form, you must submit a provider-supplied itemized bill or receipt showing the following:

- Patient name
- Provider name
- The type of service
- The date(s) services were provided
- The amount you were charged

Account statements must include the previously-stated detail above for each expense if they are to be used in lieu of a receipt.

For OTC drug prescriptions, the receipt must also include the prescription number. If not included, a copy of the prescription must accompany the receipt instead. Certain [eligible expenses](#) also require a Letter of Medical Necessity, signed by your doctor, in order to receive reimbursement.

Note: FSA plans must be reimbursed for any improperly paid claims or unsubstantiated expenses.

3) Pay My Provider

Use this payment option to submit a claim to make a payment directly to your provider. You can request a one-time payment or recurring monthly payment for eligible services (e.g., chiropractic, orthodontia, etc.).

Mobile App

Participants with a smartphone can download the WageWorks® [EZ Receipts app](#) for free. The app will allow you to take a photo of an itemized receipt and submit it along with your claim. With the EZ Receipts app you can easily manage all your WageWorks® benefits. Download the app to your smartphone, log in to your account, and check your balances, submit claims, snap photos of receipts, and receive alerts by text or email when you're on-the-go.

• No “Double Deductions”

Health care and dependent care expenses can be reimbursed through your FSA or taken on your tax return as a medical deduction or dependent care tax credit, but they cannot be taken in both places. Check with your tax advisor to see if a Health Care FSA or Dependent Care FSA may be more advantageous than taking a credit on your tax return.

• Max Health Care Contribution

For the 2017 Health Care FSA plan year, the maximum annual contribution amount is \$2,600 per employee.

• Eligible Health Care Expenses

IRS code 213(d) defines eligible Health Care FSA expenses as costs incurred to diagnose, treat, or prevent a specific medical condition, or for purposes of affecting any function or structure of the body.

This also includes prescription drugs and some over-the-counter items. However, medical expenses for vitamins, nutritional supplements, or cosmetic purposes are not eligible without approved documentation of medical necessity. See [Page 5](#) for more information and a link to a complete list of eligible expenses. You cannot be reimbursed for expenses paid in advance, except for orthodontics. Pre-payment of orthodontics must occur in the same plan year that you request reimbursement.

• Claims Substantiation

WageWorks® will notify you via mail or email if documentation is required. Substantiating documentation is not required when:

- The Health Care Card payment matches the copay amount under your medical plan
- The Card payment matches your insurance carrier's electronic file (if applicable)

If an itemized receipt is not provided, your Card will be deactivated and you will be required to pay back the amount you were reimbursed.

You are strongly encouraged to regularly monitor your WageWorks® account online to track and manage your claims.

Health Care FSAs Plan Overview

● OTC Meds & Drugs Requiring Prescriptions: Examples

This is an **abbreviated list** of OTC medications requiring a doctor's prescription:

- Allergy and sinus medications
- Anti-diarrheal medications
- Cold, cough, and flu products
- Hemorrhoid remedies
- Pain relief products

● OTC Supplies and Equipment

Medically-necessary OTC supplies and equipment are eligible expenses and do not require a prescription, but may require a Letter of Medical Necessity, signed by your doctor.

This is an **abbreviated list** of supplies and equipment:

- Crutches
- Contact lens solutions
- Bandages
- First aid kits

For a complete list of eligible and ineligible expenses, refer to the WageWorks[®] website for [FSA Eligible Expenses](#).

● Travel Expenses

Expenses for out-of-town travel for health care are eligible. This includes expenses for parking fees, tolls, airfare, lodging, rental cars, and mileage for use of a privately-owned vehicle. However, you cannot be reimbursed for a trip or vacation taken for a change in environment, improvement of morale, or general improvement of health, even if you make a trip on the advice of a doctor.

Parking Fees and Tolls: A receipt for the parking fee and/or toll is required to substantiate the claim.

Airfare: A receipt for the airfare is required to substantiate the claim.

Lodging: You may submit a claim for the cost of lodging not provided in a hospital or similar institution. Lodging is reimbursable for a person traveling with the eligible dependent receiving medical care. The reimbursable amount allowed for lodging cannot be more than \$50 per night, per person.

Mileage: Mileage can be reimbursed for trips to and from your health care provider. A visit to your pharmacy will be treated as a visit to your local health care provider. You may calculate the mileage at the rate of \$0.19 per mile. This rate is subject to subsequent IRS revisions.

● Over-the-Counter (OTC) Medicines and Drugs

Health Care FSAs can only be used for OTC medicines and drugs, other than insulin, if they are prescribed by your health care provider.

You may use your WageWorks[®] Health Care Card to purchase OTC medicines at an Inventory Information Approval System (IIAS) approved pharmacy. You will need to present the prescription and the OTC medicine to the pharmacist, who will dispense the OTC medicine as a prescription.

If an OTC purchase is made at a non-IIAS pharmacy, you can pay for the OTC medication and submit the itemized receipt and prescription with a WageWorks[®] [Pay Me Back Claim Form](#) for reimbursement to WageWorks[®].

● Eligible Expenses: Examples

This is an abbreviated list of **eligible** expenses:

- Copayments, co-insurances, and deductibles
- Bandages
- Dental care
- Diabetic supplies and insulin
- Eye exams and glasses
- Laser eye surgery
- Orthodontia (*with copy of contract*)
- Over-the-counter (OTC) medications with a prescription
- Wigs for hair loss due to a disease

[Complete list of eligible expenses](#)

● Ineligible Expenses: Examples

This is an abbreviated list of **ineligible** expenses:

- Cosmetic expenses
- Expenses reimbursed by other insurance companies
- Insurance premiums
- Illegal or experimental treatments, operations, or drugs
- Late payment fees
- Teeth whitening or bleaching
- Vitamins/nutritional supplements, unless prescribed by your physician to treat a specific medical condition
- Weight reduction programs for general well-being

(This list is not all-inclusive)

Health Care FSAs Plan Overview

• Leaves of Absence, Layoffs, Seasonal Employees, Retiring, and Departures

Seasonal Employees: Seasonal employees who are enrolled in a Health Care FSA and are laid off will have their account suspended, and Cards inactivated until returning to work. If returning to work in a different plan year, contact the Employee Benefits Division at 800-505-5011.

Departures, Retirees, & Layoffs: Health Care FSAs for these employees will end, and Cards will be inactivated the last day of the pay-period worked.

Individuals wishing to achieve their Annual Goal and continue their Health Care FSA by a one time *pre-tax* deduction from their final pay warrant should complete the [Health Care Flexible Spending Account Continuation of Coverage Form \(CS-1814\)](#). Employees may also choose to pay for the remaining contributions via personal check *after tax*.

Employees must either submit the form, or contact the Employee Benefits Division at 800-505-5011, 30 days prior to their last day worked, when possible.

The advantage of achieving the Annual Goal would be to extend the time frame for which Health Care FSA funds may be used. Doing so would allow expenses to be eligible throughout the remainder of the plan year and corresponding Grace Period. Without it, claims incurred after your last day worked would not be eligible for reimbursement.

Note: If you have paid your entire Annual Goal prior to leaving State service, WageWorks® will be notified and will extend your account through the end of the plan year and corresponding grace period. Health Care Cards are disabled once you are no longer an active employee. In order to receive reimbursement for your remaining funds you must pay out-of-pocket and submit for reimbursement through WageWorks®.

Leave of Absence: Employees who are placed on a leave of absence or experience "lost time" will have full use of the Health Care FSA and the Health Care Card while off payroll as though they were still active.

Employees will be required to make-up any missed contributions upon returning to work. This is calculated by taking your remaining Annual Goal prior to your leave then dividing the balance by the number of remaining pay-periods in the plan (calendar) year.

If you return to work after the end of the 2017 plan (tax) year, the State will collect the remaining amount from your pay warrant on an after-tax basis due to it being in a different taxable year. This will also occur if there are not enough pay-periods remaining in the plan year to make-up your missed contributions.

• Qualifying Life Events

Legal Marital Status: Change in your marital status, including marriage, legal separation, annulment, divorce or death of spouse.

Qualifying Individuals: Change in the number of your qualifying individuals including the birth or adoption of a child, gain or loss of custody, foster care, or death.

Employment Status: Changes that affect eligibility of the employee or the employee's spouse or qualifying individual, such as commencement or termination of employment, a change from full-time to part-time employment, or loss or gain of coverage.

Judgments, Decrees, Court Orders or Change in Legal Custody: Requirement by one of these legal documents to either add or terminate coverage for your dependent.

Eligibility for Medicare or Medicaid: Becoming eligible or losing eligibility for Medicare or Medicaid.

• Qualifying Life Event Changes

If you experience a qualifying life event, the IRS allows you to change your Health Care FSA Annual Goal consistent with the qualifying life event.

This would result in more than one period of coverage within a plan year with eligible expenses being reimbursed from the appropriate period of coverage. Money from a previous period of coverage can be combined with amounts after a permitted mid-year election change, however, expenses incurred before the election change can only be reimbursed from the amount of the balance present in the Health Care FSA prior to the change.

IRS rules also require that contribution changes during the plan year be made consistent with the qualifying life event. The [Flexible Spending Accounts Life Event/Election Change Form](#) (CS-1784) must be submitted with supporting documentation to the Employee Benefits Division within 31 days of the qualifying life event. The period of coverage and deduction change will be reflected in the pay-period following the approval.

• Heroes Earnings Assistance & Relief Tax Act of 2008

Under the *Heroes Earnings Assistance and Relief Tax Act of 2008* (H.R. 6081), employees called to active military duty for a period of at least six months would be allowed to receive a taxable distribution of the Health Care FSA funds to avoid forfeiture.

Health Care FSAs Plan Overview

● Using the Health Care Card

Use of the WageWorks® Health Care Card is voluntary and allows you to pay for purchases directly from your Health Care FSA account. The Card:

- Works like a credit card, except the funds are only deducted from your Health Care FSA
- Allows you easy access to your account funds when costs are incurred

The Card can be used at medical and dental offices, and also at retail establishments and pharmacies where an IAS has been implemented. A listing of participating retailers can be found at www.wageworks.com.

You must request and retain itemized receipts for all purchases made with your Card. WageWorks® may request a copy of your receipt to substantiate a claim. IRS regulations require you to save your itemized receipts for tax purposes.

Note: The Card is not available for Dependent Care FSAs.

● Card Holder Agreement

In order to use the Card, you must agree to abide by the terms and conditions of the Plan, as set forth in the [Cardholder Agreement](#). This includes the limitations on Card usage, and the Plan's right to withhold and offset for ineligible claims.

When you activate your Card, the [Cardholder Agreement](#) becomes a part of the terms and conditions of your Plan.



● Health Care Card

WageWorks® will issue a Health Care Card for those who are newly enrolled and when existing cards expire. Health Care Cards for additional eligible qualifying individuals can be requested through your WageWorks® online account, or by calling WageWorks® customer service.

You must use the last four digits of your Employee ID# to activate the Card. Cards for additional eligible qualifying individuals are activated by using the last four digits of their Social Security Number (SSN), not the employee's SSN.

● Automatic Card Deactivation

The WageWorks® Health Care Card will be automatically deactivated if:

- Employment or coverage terminates, or;
- You do not provide appropriate documentation that substantiates your claim when requested by WageWorks®, or;
- The Card is used for an ineligible expense under the program.

● Reporting Lost Cards or Requesting Additional Cards

You may report a lost or stolen card or request additional cards for your spouse or qualifying individuals (over age 18) by calling the WageWorks® Customer Service Center at 877-924-3967, Monday through Friday, 8:00 a.m. to 8:00 p.m. EST, or through your online account on the WageWorks® website at www.wageworks.com. Once logged into your account, select "Card Center" located at the top of the page to complete the online request.

Note: There is no charge for additional or replacement cards.

● Time Frame for Claim Reimbursement

Reimbursements for eligible expenses will be made within 5 business days after the claim is processed. All claims must be incurred prior to March 15, 2018 and must be submitted by the end of the run-out period, May 31, 2018, to be eligible for reimbursement.

Dependent Care FSAs Plan Overview

• How Dependent Care FSAs Work

A Dependent Care FSA can be used to pay for day care expenses while you or your spouse are at work, looking for work, or at school. It can also be used for expenses such as elder care and day care expenses for any incapacitated person you are eligible to claim on your income taxes. **The Dependent Care FSA may not be used for medical expenses.** You must have sufficient funds in your Dependent Care FSA before a claim can be reimbursed.

The Annual Goal you decide upon will be deducted from your pay warrants incrementally, at a rate you select. To calculate what your pay-period contribution amounts will be, decide how many pay-periods you wish to use to meet your Annual Goal (1 to 26). Divide your Annual Goal amount by the number of pay-periods you wish to use to determine your bi-weekly contribution, as shown in this example:

<u>Annual Goal Contribution</u>	<u># of Pay-Periods (PP)</u>	<u>PP Cost</u>
\$2,600	÷ 26	= \$100.00
\$750	÷ 25	= \$ 30.00

If you elect to contribute toward your Annual Goal in fewer than 26 pay-periods, the number of pay-period deductions you elect will be taken consecutively at the start of the year. So, if you elect 15 pay-period deductions, your contribution will be deducted from your first 15 pay warrants of the year.

• Max Contribution Amounts

Federal tax laws place limitations on the amount you can contribute to a **Dependent Care FSA** each plan year. You may choose an annual contribution up to the maximum family amount for which you qualify. Your max contribution depends upon your annual earnings, your tax filing status, your spouse's annual earnings, and several other factors.

The contribution maximums are:

- \$5,000 per year if you are married and filing jointly or a single parent
- \$2,500 per year if you are married and filing a separate income tax return
- \$5,000 per year if you are filing single
- The lower of your two incomes, if either you or your spouse earns less than \$5,000 per year
- \$3,000 for one dependent or \$5,000 for two dependents if your spouse is a full-time student or incapable of self-care

It is your responsibility to ensure your annual contributions do not exceed the maximum amount allowed by the IRS.

• Qualifying Individuals

A qualifying individual is:

- An individual age 12 or under who (a) lives with you; (b) does not provide over half of his/her own support; and (c) is your son, daughter, grandchild, step-child, brother, sister, niece, or nephew
- A spouse or other tax dependent (as defined in IRS Code Section 152) who is physically or mentally incapable of caring for himself or herself and who resides with you more than half of the year

Typically, if you are divorced or separated, your child must be your dependent for whom you can claim an exemption on your tax return in order to be a qualifying individual.

Note: There is a separate rule for children of divorced parents. If you are divorced, the child is only a qualifying individual of the "custodial" parent [as defined in IRS Code Section 152(e)].

If you are the *custodial parent*, you can treat your child as an eligible dependent even if you cannot claim the child as an exemption on your tax return. If you are the *non-custodial parent*, you cannot treat your child as a qualifying individual, even if you can claim the child as an exemption on your tax return. See IRS guidelines for further details on this exception to the rule. **Other Eligible Adult Individuals (OEAs) and their dependents are not qualifying individuals for FSAs.**

• Claim Reimbursement Time Frame

Reimbursements for eligible expenses will be made within 5 business days after the claim is processed. All claims must be submitted by the end of the run-out period, May 31, 2018, to be eligible for reimbursement.

• Payment Options

Dependent Care FSA enrollees may use the same payment options outlined on [Page 4](#) for Health Care FSAs **except** for the WageWorks[®] Health Care Card.

There is no card-based payment method for Dependent Care FSAs at this time.



Dependent Care FSAs Plan Overview

• Eligible Dependent Care Expenses

Eligible expenses can only be incurred from your effective date of coverage through March 15, 2018. **Any expenses not claimed will be forfeited.**

Expenses must be incurred for the care of a qualifying individual (as described on [Page 8](#)) and incurred to accommodate your ability to gain or maintain employment. Expenses for overnight stays or overnight camp are not eligible.

If daycare is provided outside the home and expenses are incurred for the care of a qualifying individual who is age 13 or older, said dependent must regularly spend at least 8 hours per day in your home.

• Eligible Expenses: Examples

This is an abbreviated list of eligible expenses.

- Home-based licensed day care
- Licensed day care center (elder or child care)
- Nursery school
- Private babysitter in your home or theirs
- Private preschool program
- Providers of care for disabled dependents
- Public or private summer day camps

You may seek reimbursement for day care expenses you pay to your child, age 19 or older, or any other individual you do not claim as a dependent on your income tax return. Immigrants who have a U.S. Social Security Number can also be reimbursed if they have filed for and are waiting for their green card.

Visit www.wageworks.com for a [list of eligible expenses](#).

• Ineligible Expenses: Examples

This is an abbreviated list of ineligible expenses.

- Babysitting for social events
 - Late payment fees
 - Care provided by your child under age 19 or any other person you claim as a dependent on your income tax return
 - Cost of food, clothing, and diapers
 - Cost of specialty or educational programs before or after school
 - Expenses for overnight camps
 - Expenses for which a dependent care tax credit is taken or expenses which are reimbursed under a Health Care FSA
 - Expenses for education
 - Placement fees, fees for sports lessons, field trips or clothing
- (This list is not all-inclusive)

• Qualifying Life Events

If you experience a qualifying life event, the IRS allows you to change your Dependent Care FSA annual contribution.

IRS rules also require that contribution changes during the plan year be made consistent with the qualifying life event. This means that your annual contribution can be increased to add costs for a new dependent for the remainder of the calendar year. However, the annual contribution cannot be increased for both the cost of the added dependent and to make-up costs incurred prior to the life event.

The [Flexible Spending Accounts Life Event/Election Change Form](#) (CS-1784) must be submitted with supporting documentation to the Employee Benefits Division within 31 days of the qualifying life event. The period of coverage and deduction change will be reflected in the pay-period following the approval. Qualifying life events:

Change in Legal Marital Status: Marriage, legal separation, annulment, divorce, or death of spouse; that causes a change in the amount paid or number of dependents needing day care.

Qualifying Individuals: Change in the number of your qualifying individuals, including the birth or adoption of a child, gain or loss of custody, foster care, or death.

Significant Change in Care Modifications: Change in dependent care needs or number of dependents, dependent turning 13, or significant change in cost of care.

Leave of Absence: Paid or unpaid leave of absence.

Employment Status: Changes that affect eligibility of the employee or the employee's spouse. For example commencement/termination of employment, change from full-time to part-time employment, or loss/gain of coverage.



Dependent Care FSAs Plan Overview

• Layoffs, Leave of Absence, Departures, & Retirees

Seasonal employees: Seasonal employees who are enrolled in a Dependent Care FSA and are laid off will have their account suspended. If returning to work in a different plan year, contact the Employee Benefits Division at 800-505-5011.

Departures, Retirees, & Layoffs: Your eligibility for the Dependent Care FSA ends on your last day of work. Expenses incurred while you are not actively at work will not be eligible for reimbursement.

Leave of Absence: Your eligibility for the Dependent Care FSA ends on your last day of work. Expenses incurred while you are not actively at work will not be eligible for reimbursement. If you return to work during the same calendar year, dependent care expenses incurred are again eligible for reimbursement. Contributions will restart at the same bi-weekly contribution in place before you left, unless you request a change due to a qualifying life event.

• Federal Tax Reporting

Amounts you contribute to a Dependent Care FSA are reported on your W-2 form. However, this does not mean you are taxed on your reimbursement. This notifies the IRS that the taxpayer should also be filing IRS Form 2441. This form requires you to list the name and taxpayer identification number or Social Security Number of the dependent care provider(s) you used during the calendar year. **Eligible dependent care expenses can be claimed on your income tax return or reimbursed from your FSA, but not both.**



How to Enroll



Important Dates



Contact Info

ONLINE

Self-Service

www.mi.gov/selfserv

Note: Self-Service is compatible with Internet Explorer (IE) 10.0 and 11.0, and Google Chrome. If you are using IE 10.0 or 11.0 you may experience issues when the compatibility view is enabled.

CALL

MI HR Service Center

877-766-6447

Monday—Friday
8:00 a.m.—5:00 p.m. EST
Fax: 517-241-5892

MI HR Service Center is available to answer all enrollment questions

2016

November 1

2017 FSA Open Enrollment Begins

November 30

2017 FSA Open Enrollment Ends

December 31

2016 FSA Plan Year Ends

2017

January 1

2017 FSA Plan Year Begins

March 15

2016 FSA Grace Period Ends

May 31

2016 FSA Documentation
Deadline (Run-Out Period)

December 31

2017 FSA Plan Year Ends

2018

March 15

2017 FSA Grace Period Ends

May 31

2017 FSA Documentation

Claims Processing

WageWorks® Claims Processing

Claims Administrator
P.O. Box 14053
Lexington, KY 40512
Fax: 877-353-9236

Eligibility, Claims, & More

WageWorks®

Phone: 877-924-3967
Monday - Friday
8:00 a.m. - 8:00 p.m. EST
www.wageworks.com

Life Events

Employee Benefits Division

Phone: 800-505-5011
Monday—Friday
8:00 a.m.—5:00 p.m. EST
Fax: 517-284-0078

