



# Mariflex

## Health Care and Dependent Care Flexible Spending Accounts

### **Do you or your dependents...**

- \* *Need braces?*
- \* *Wear glasses, contact lenses or hearing aids?*
- \* *Have dependents in day-care so you can work?*
- \* *Pay expenses not covered by medical or dental insurance?*

**A Flexible Spending Account could save you money!**

**To learn how, read on.**

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The information in this booklet highlights Maricopa County's Mariflex Flexible Spending Account benefit. It is intended to be a guide to help you decide whether or not to participate in the Mariflex plan.

If there is a discrepancy between the information in this booklet and the official Plan document, the official Plan document will govern.

Maricopa County reserves the right to change or cancel any of its plans, in whole or in part, at any time.

Participation in any of the County's benefits plans is not a contract of employment.

## HOW TO OBTAIN BENEFIT INFORMATION

Vendor contact information is located in the *WHO TO CONTACT* section of this booklet.

The Benefits Office can assist you with general benefit information, enrollment, qualified status changes, premium or benefit payroll deduction questions, and benefit continuation while on leave of absence and/or when you retire.

Please contact the FSA administrator, ASI, for detailed benefit questions regarding coverage, costs and claims payment.

When the words "you" or "your" are used in this document, they refer to the employee. The word "we" in this document refers to Maricopa County. When the words "benefits plan" or "plan" are used in this document, they refer to the Employee Benefits Plans. The term "Benefits Office" refers to the Maricopa County Employee Health Initiatives Department, Benefits Office.

## INTRODUCTION

When you decide how to spend your hard-earned money, you make sure to make an informed choice and buy the highest quality item for the best price. Chances are you won't buy something at one store if you know you can get it for less down the street. But what about the way you spend your health care and day care dollars? Wouldn't it be great if there was a way to save money on these costs too? Well, there is!

Maricopa County offers a benefit that allows you to pay health care and day-care expenses with tax-free money: the Mariflex Flexible Spending Account (FSA) plan.

This booklet describes the advantages and special rules that apply to FSAs. You should carefully read this material in its entirety. If there is anything you don't understand, contact ASI, the Mariflex FSA administrator, at its customer service department. Refer to the *WHO TO CONTACT* section for contact information.

- There are two types of FSAs: one for health care expenses and another for dependent care (day-care) expenses. You can open one or the other or both accounts!
- A "Health Care FSA" is a mechanism that allows you to contribute pre-taxed income into an account and then be reimbursed for certain medical, vision or dental expenses.
  - You may include all medical, dental and vision expenses not covered or not reimbursed by insurance which are incurred by the taxpayer during the Plan year (Jan. 1 through Dec. 31) or Grace Period (only applies to Health Care FSA) for medical care as defined in Section 213(d) of the Internal Revenue Code (IRC). Please refer to the list on pages 6-8 and IRS Publication 502 for further details on qualifying expenses. This publication is available online at [www.asiflex.com](http://www.asiflex.com), under the Useful Links section. Expenses qualify for the health care

FSA based on when incurred, not when paid, and federal regulations do not allow any health insurance premiums or long term care expenses to be included under the FSA.

**Grace Period:** If you are a Health Care participant as of June 30<sup>th</sup> of a Plan Year you may continue to incur expenses through September 15<sup>th</sup> to use any remaining funds in that Plan Year just ended. Claims for Health Care expenses incurred during this Grace Period are paid from the oldest year's funds first unless you request otherwise.

- A "Dependent Care FSA" is a mechanism that allows you to contribute pre-taxed income into an account and then be reimbursed for certain dependent care expenses.
  - IRS Publication 503 provides specific details on child and dependent care expenses. Expenses qualify for the dependent care FSA based on when incurred, not when paid.
- Once you enroll in a Flexible Spending Account, you may not disenroll or make any changes to your election unless you have a qualified family status change. Changes in status must be reported in writing with supporting documentation to the Benefits Office within 30 days of the qualifying event. Changes made after the 30-day time period or changes received with insufficient documentation will not be processed. Refer to *WHEN CAN CHANGES BE MADE?* section for more details.
- Only claims for services that are incurred (but not necessarily billed or paid for with the exception of orthodontic expenses) during the Plan year (or Grace Period for Health Care FSA expenses) while you are a plan participant may be reimbursed. A service is incurred on the date or dates the services or products are provided that give rise to an expense.
- You have until November 30 of the following year to submit your claims for reimbursement.
- Any money left unclaimed in your FSA(s) after November 30 for claims incurred in the prior calendar year cannot be returned to you.
- Participation in Mariflex FSA(s) is not automatic from year to year. If you want to participate each year, you must complete new enrollment information during the annual Open Enrollment period either through the PeopleSoft Open Enrollment self-service system or by completing an Open Enrollment form. Refer to the *HOW AND WHEN DO I SIGN UP?* section for more information.

## HOW DOES A FLEXIBLE SPENDING ACCOUNT WORK?

You decide how much you want to deposit into your account(s) for the Plan year based on your anticipated health care and/or dependent care expenses and complete new enrollment information during new hire benefits enrollment or during the annual Open Enrollment period through PeopleSoft Employee Self-Service. Refer to the *HOW AND WHEN DO I SIGN UP?* section for more information. The amount you wish to deposit for the Plan year (your annual election) will be divided into equal payroll installments and deposited into your account through automatic payroll deduction if you do not miss any paychecks in the year. However, if you miss a check or must be paid with a manual check, your pay period amount will vary based on your annual pledge balance and the number of pay periods remaining in the year.

Then, whenever you pay an eligible expense out of your own pocket, you submit a claim to the Mariflex administrator, ASI, for reimbursement. You'll be reimbursed from the tax-free money you have agreed to set aside in your account throughout the Plan year. Claims are usually processed and paid by ASI within one day of receipt. However, there may be limited situations in which payments are not released for up to three weeks for certain dependent care claims. Please refer to the *HOW DO I FILE A CLAIM?* section for more information.

ASI can make your payment as a direct deposit to your bank account or through U.S. mail. ASI also has an optional service that sends you an e-mail message to notify you when your claim has been paid!

## **MARIFLEX DEBIT CARD**

The MARIFLEX Debit Card is a convenience tool which you can use to use your pre-tax money to pay for out-of-pocket expenses medical expenses. The IRS has stringent rules regarding appropriate use of the card and when follow-up documentation will be required, so please take a moment and read about how the card works.

The day you activate your FSA Debit Card, your card will be loaded with the remaining annual balance in your FSA. You can then use the card to pay your medical provider or to purchase your prescriptions and over-the-counter items. The card pays the provider for the care and your available FSA balance is reduced by the purchase amount. **Using the card does NOT eliminate your responsibility to file paperwork with ASI.** The IRS requires that all card transaction be supported, either electronically behind the scenes or with documentation ASI requests from you, to ensure your pre-tax money is only being used to pay for FSA-eligible expenses.

### **Where can the cards be used?**

Per IRS regulations, the FSA Debit Card is restricted to use **1) at health care providers** (based upon the Merchant Category Code of the provider) or **2) at retail stores that have an Inventory Control System** in place that restricts the items purchased with the card to FSA-eligible expenses.

- 1) Health Care Merchant Category Code (MCC):** Every merchant that accepts credit cards has an MCC, which is a general category that is assigned when the merchant applies for the right to accept credit cards. The FSA debit card will work to pay providers **that have an MCC that indicates the merchant is a health care provider** (hospital, doctor, dentist, optometrist, chiropractor, etc.).
- 2) Inventory Control System Restriction:** The IRS also allows a card to be used at non health care providers **that have an FSA Inventory Control System in place** that only allows FSA-eligible items to be paid for with your FSA debit card. A list of stores with this system in place now (and some expected in the future) is available online, at [www.asiflex.com/debitcards](http://www.asiflex.com/debitcards), but you should know that most major retail chains have implemented this system. **Payments at these stores will not generally require you to file follow-up documentation (although you should always keep your receipts).** *In most, if not all cases, the card will not work at grocery/retail stores (unless the store has implemented the FSA Inventory Control System).*

### **Do I have to do anything after I use my FSA debit card? Is paperwork eliminated?**

Generally, you will have to provide supporting documentation to ensure each purchase with your FSA Debit Card is for an item(s) eligible for a tax break, **so the paperwork is not always eliminated.** The card is basically a payment convenience. However, if the purchase amount matches your employer-sponsored insurance co-pay amount (or a multiple up to 5 times the amount) for the treatment or service you received or the prescription drug purchased, ASIFlex will not request documentation. Also, if you use your card at one of the retail stores that have the Inventory Control System in place, ASIFlex will generally not request documentation. ***ASIFlex will let you know if you need to submit documentation for a transaction, so keep all documentation in case it is requested. Please do not submit documentation until you receive a notice asking for it, since some items do not require follow-up documentation. You will need to send the notice to ASIFlex with the supporting documentation.***

### **How do debit card purchases that are not electronically/automatically supported affect my account?**

If a debit card purchase cannot be electronically supported, ASIFlex will immediately reduce your available FSA balance and show this on your ASIFlex account as a payment advance, basically, a payment without a claim. ASIFlex will send you a notice requesting follow-up documentation of

services provided that were paid with your debit card. When a copy of this notice and valid supporting documentation is received, this account advance will be supported.

**Example:** Tom pays his dentist \$700 for a crown, using his FSA debit card. The dentist's credit card machine is set up with a MCC as a medical provider but the \$700 is not a co-pay amount for Tom's insurance plan. ASIFlex sends Tom a notice asking for follow-up documentation for the \$700 purchase. Before Tom receives this notice, he submits a paper claim to ASIFlex for \$22 in over-the-counter medications. ASIFlex processes his claim, but no payment is issued that day. Instead, the amount ASIFlex is showing that Tom has been "advanced" is reduced from \$700 to \$678. The next week, Tom faxes the notice received from ASIFlex along with his itemized statement for the crown to ASIFlex. ASIFlex processes the supporting documentation for \$700 (which substantiates his FSA debit card payment), and Tom is issued a payment of \$22.

**Does the ASIFlex debit card cost me anything?**

There is an additional \$.85/pay period fee for use of the FSA debit card.

## HOW CAN A FLEXIBLE SPENDING ACCOUNT SAVE ME MONEY?

Money contributed to a Flexible Spending Account is not taxed. Contributions are deducted from your gross pay *before* federal, state, Social Security and Medicare taxes are calculated. Lowering your taxable income means you pay less tax and actually increase your *spendable* income.

***The example below illustrates how participating in a Health Care FSA can increase spendable income.***

Ann and Dave both earn \$20,000 a year, and each pays \$300 a year out-of-pocket for health care expenses. Ann decides to set aside \$300 in a Flexible Spending Account to pay these expenses. Dave decides not to participate in the FSA benefit.

	<b>Ann</b>	<b>Dave</b>
Annual Pay	\$20,000	\$20,000
Before-Tax FSA Deposit	- \$ 300	- \$ 0
Taxable Pay	\$19,700	\$20,000
Federal, State, Social Security & Medicare Taxes	- \$4,137	- \$4,219
Take Home Pay	\$15,563	\$15,781
After Tax Payment of Expenses	- \$ 0	- \$ 300
<b>Remaining Annual Spendable Income</b>	<b>\$15,563</b>	<b>\$15,481</b>

**Increase in Spendable Income: \$82**

By using her FSA, Ann saved \$82 in taxes. Dave, on the other hand, is taxed on his full pay. Why pay more taxes than you have to? If you have qualifying expenses, use a Flexible Spending Account to take advantage of this pre-tax benefit. It makes good sense!

The previous example is a conservative one. The increase in spendable income will vary depending upon the amount *you* decide to set aside and your own individual tax situation. You should contact a tax advisor for more advice on whether or not a Flexible Spending Account is best for you.

### **\$AVE HUNDREDS IN ANNUAL CHILD CARE COSTS**

When you enroll in a Mariflex Dependent Care Spending Account, you can set aside money to reimburse yourself for out-of-pocket day-care expenses with before-tax dollars.



In the example below, your additional **tax savings** will be approximately **\$906 annually** by using a Dependent Care Flexible Spending Account.

Filing Status: Single with One Dependent

	With Mariflex	Without Mariflex
<b>Annual Income:</b>	\$35,000	\$35,000
Estimated Health Care Expenses:	- \$0	- \$0
Estimated Dependent Care Expenses:	- \$4,000	- \$0
<b>Taxable Income:</b>	= \$31,000	= \$35,000
Estimated Federal Income Tax:	- \$4,715	- \$5,795
Estimated Social Security Tax:	- \$2,371	- \$2,677
Health Care Expenses:	- \$0	- \$0
Dependent Care Expenses:	- \$0	- \$4,000
Tax Credit For Dependent Care:	+ \$0	+ \$480
<b>Net Pay:</b>	<b>= \$23,914</b>	<b>= \$23,008</b>

*The above illustration is an example of potential federal tax savings based on a gross annual income of \$35,000 and does not pertain to any individual tax situation. You may receive additional tax savings from state and local taxes. Consult your tax advisor for more information.*

# HEALTH CARE FLEXIBLE SPENDING ACCOUNT

## HOW MUCH CAN I CONTRIBUTE?

- You can set aside up to \$5,200 during the Plan year in a tax-free Health Care FSA. You should only contribute enough money to cover eligible health care expenses you expect to incur during the Plan year since any money left unclaimed in your FSA after November 30 for claims incurred during the Plan year or Grace Period cannot be returned to you.

Refer to *CAN I CHANGE MY MIND?* and *WHEN CAN CHANGES BE MADE?* sections for more information.

## WHAT TYPES OF EXPENSES QUALIFY FOR REIMBURSEMENT?

Any medical, dental and vision expense not covered or reimbursed by health insurance which is incurred by the taxpayer during the Plan year for medical care as defined in Section 213(d) of the Internal Revenue Code qualifies for reimbursement. The expense may be for a service provided to you or to any person who qualifies as your dependent for tax purposes. (Details on qualified dependents are available at [www.asiflex.com](http://www.asiflex.com).) Your dependent does not have to be covered under your Maricopa County health insurance plan in order to have his/her expense(s) reimbursed under the FSA plan.

Since coverage of health care services, deductibles, copayments and coinsurance vary depending on the health insurance plan in which you are enrolled, you should consult your health plan Group Service Agreement or Summary Plan Document for the schedule of covered benefits to obtain specific information on costs, coverage and exclusions. Refer to the *WHO TO CONTACT* section for how to locate this information.

For further details on qualifying expenses, please refer to the list below and ASI's website, [www.asiflex.com](http://www.asiflex.com). Please note that expenses qualify for the health care FSA based on when the

expenses are incurred, not when paid for, and federal regulations do not allow any insurance premiums or long-term care expenses to be included under the FSA.

Below, you will find a partial listing of general types of expenses which may qualify for reimbursement under the Health Care FSA. Please contact ASI, the FSA administrator, if you have any questions about the eligibility of your expenses.

- Medical, vision and dental insurance deductibles, coinsurance and copayments.
- Prescription medicines and insulin insurance copayments, coinsurance and deductibles.
- Acupuncture.
- Psychological counseling services (excluding marriage counseling).
- Eyeglasses, contact lenses and supplies, and eye surgeries to treat defective vision such as LASIK.
- Fertility enhancements to overcome the inability to have children such as in vitro fertilization or surgery, including reversals of prior surgery, which prevents you from having children.
- Medical care products like hearing aids and batteries and orthotics or prosthetic appliances.
- Orthodontic services.
- Smoking cessation programs and medications.
- Tooth bonding and other dental services.
- Treatment of alcoholism.
- Weight reduction programs, such as Weight Watchers, to treat obesity, hypertension or heart disease.
  - Obesity, hypertension or heart disease must be diagnosed by a physician.
  - The cost of food is not an eligible expense.
- Wigs purchased on the advice of a physician for the mental health of a patient who has lost his/her hair from disease.
- Over-the-counter drugs and medicines purchased to treat an existing or imminent medical condition such as allergy medication, smoking cessation medication, aspirin, cold medications, vitamins, herbs and nutritional supplements, etc. can be claimed if they are purchased to treat an existing or imminent medical condition. For vitamins, herbs and nutritional supplements, you must have a physician's statement on file annually that contains the diagnosis of the medical condition and a prescription for all items for that condition. For further details visit [www.asiflex.com](http://www.asiflex.com).
- Certain transportation costs to and from necessary medical care at \$0.19 per mile effective January 1, 2008. However, this rate, set by the IRS, can change from year to year.

## **EXCLUSIONS**

Below is a partial listing of the types of expenses which are **NOT** eligible for reimbursement under the Health Care FSA.

- Over-the-counter medicines or products (like aspirin, cough drops, Rogaine) if purchased for general health purposes or future use.
- Weight loss programs, unless ordered by a doctor as treatment for a specific illness (obesity, hypertension, or heart disease).
- Cosmetic procedures or medicines used for cosmetic reasons such as face lifts, hair transplants, hair removal (electrolysis), liposuction or teeth whitening, unless necessary to correct congenital defects, personal injury or disfiguring disease.

- Insurance premiums, warranties and service contracts.
- Long-term care expenses.
- Membership dues to join a gym, health club or spa.
- Nutritional supplements, vitamins, herbal supplements, natural medicines, etc. unless purchased to treat an existing, physician-diagnosed medical condition.

## DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT

### ***HOW MUCH CAN I CONTRIBUTE?***

The amount you can contribute depends on whether you are married or single. If you're married, your spouse must be working, disabled or a full-time student in order to open a Dependent Care FSA.

- If you're single, you can set aside up to \$5,000 (or your earned income, if less) each Plan year in a tax-free Dependent Care FSA.
- If you're married and file a separate tax return, you can put up to \$2,500 (or your earned income, if less) into your FSA.
- If you're married and file a joint tax return with your spouse, the maximum contribution is limited to the lesser of your two earned incomes or \$5,000, whichever is less. For example: If you earned \$15,000 and your spouse earned \$2,000, the maximum amount you could contribute would be \$2,000. (Note: If your spouse doesn't work but is either a full-time student or disabled, you can still open a Dependent Care FSA. In this case, your spouse's earned income is assumed to be at least \$250 a month if you have one person eligible for dependent care reimbursement, or \$416.66 a month if you have two or more people eligible for dependent care reimbursement.)

You should contribute only enough money to cover eligible dependent care expenses you expect to incur during the Plan year since any money left unclaimed in your FSA after November 30 for claims incurred in the prior calendar year cannot be returned to you. Refer to the *WHEN CAN CHANGES BE MADE?* section for more information on changes that are allowed during the Plan Year.

It is important to point out that you may not use your Dependent Care FSA to pay for baby-sitting for social events, for the cost of sending your child to overnight camp or for educational expenses, including tuition for kindergarten or higher grades.

### ***WHAT TYPES OF EXPENSES QUALIFY FOR REIMBURSEMENT?***

#### ***ELIGIBLE EXPENSES INCLUDE SERVICES PROVIDED:***

- Inside or outside of your home by anyone other than your spouse, a person you list as your dependent for income tax purposes or one your children under the age of 19.
- In a dependent care center or a childcare center. If the center cares for more than six children, it must comply with all applicable state and local regulations.
- By a housekeeper whose services include, in part, providing care for a qualifying individual.
- Through child or adult day-care, through nursery, pre-school, after-school or summer day camp programs. Taxes you pay on wages for eligible dependent care can also be reimbursed.
- By a provider who does intend to claim the income as earnings. Provider's Social Security or Tax ID number and payment/services details must be included with your federal income tax return on Form

2441. As a result, your provider will have to pay taxes on that income.

### ***ELIGIBLE DEPENDENTS ARE:***

- A child under the age of 13 who lives with you for more than half the year if you are divorced or legally separated.
- Your spouse who is physically or mentally incapable of self-care.
- Your dependent who is physically or mentally incapable of self-care who lives with you at least 8 hours each day. (Details on qualified dependents are available at [www.asiflex.com](http://www.asiflex.com).)

Refer to IRS publication 503 for more information.

### ***EXCLUSIONS***

Below is a partial listing of the types of expenses which are **NOT** eligible for reimbursement under the Dependent Care FSA.

- Dependent care for a child 13 or older unless the child is totally disabled and spends at least eight hours each day in your home.
- Over-night camps.
- Babysitting that is not work-related.
- Schooling in kindergarten and higher grades.
- Long-term care services.
- Transportation, food, activities fees, or other separately billed non-care expenses.

## **HOW DO I FILE A CLAIM?**

When you have an eligible expense, you must complete a Flexible Spending Account claim form unless the claim is a pharmacy claim and you have purchased it with your Mariflex Debit card. See the *MARIFLEX DEBIT CARD* section for details.

### ***CLAIMS FORMS CAN BE FOUND AT:***

- Intranet: [http://ebc.maricopa.gov/hr/benefits/pdf/mariflex\\_claim\\_form.pdf](http://ebc.maricopa.gov/hr/benefits/pdf/mariflex_claim_form.pdf)
- Internet: [http://www.maricopa.gov/benefits/pdf/mariflex\\_claim\\_form.pdf](http://www.maricopa.gov/benefits/pdf/mariflex_claim_form.pdf)
- Internet: <http://www.asiflex.com>, click on Forms, Claim Forms then All Other Employers

### ***TO REQUEST REIMBURSEMENT***

Attach documentation of the expense to a completed claim form. Documentation can include itemized bills and/or the Explanation of Benefits (EOB) form from your health insurance carrier. The documentation of the expense must include the service provider's name, the date of service, type of expense, the cost of the expense and the name of the person who received the service. Cancelled checks or charge account receipts are not acceptable because they don't provide the required information.

The **Health Care** FSA reimburses incurred expenses up to the total amount of your annual election.

The **Dependent Care** FSA reimburses for expenses incurred up to the amount you have contributed to your account. If you file a claim for more than is in your account, the unreimbursed balance will be paid when enough money has accumulated to cover the claim.

Completed claim forms with appropriate documentation attached are usually processed and paid within one day of receipt. However, in certain situations, it could take up to three weeks for your dependent care claim to release payment. You may choose to authorize direct deposit and your payment will be automatically deposited to your bank account. The Mariflex administrator, ASI, will e-mail you to let you know your claim has been processed. A check can be mailed if you prefer.

Claims cannot be submitted until after ALL services have been provided for the expenses claimed.

Claims for both the Health Care and Dependent Care FSAs must be received no later than November 30 of the following calendar year. It is advisable to submit your claims as soon as possible after you receive all your documentation since any claims received after November 30 of the following year will not be reimbursed.

## **CAN I TRANSFER MONEY BETWEEN MY FLEXIBLE SPENDING ACCOUNTS?**

No. Specific IRC regulations require your FSAs remain completely separate.

For example, if you used all the money in your Health Care FSA, but have unspent money in your Dependent Care FSA, the unspent money cannot be used to reimburse you for health care expenses.

## **DO BENEFITS CONTINUE WHILE ON A LEAVE OF ABSENCE?**

When you go on an approved unpaid leave of absence from your position, if you do not want to continue your FSA coverage, you must revoke your coverage by completing a Change form within 30 days of the beginning date of your unpaid leave of absence.

If you want to continue your coverage, you must complete a Payment Agreement with the Benefits Office in advance of your leave, if possible. If advance notice is not possible due to your medical condition or other extenuating circumstance, the agreement must be made within 30 calendar days of your leave begin date.

You should continue to pay your premiums in a timely manner (either by pre-payment or bi-weekly). Non-payment or untimely payment of your premium will result in a recalculation of the remaining balance of your annual election amount by the remaining pay periods in the Plan year, upon your return to work.

As a convenience, the Benefits Office can accept payment by Visa and MasterCard while you are on a leave of absence. If you choose to make your payments in this manner, please contact the Benefits Office at 602-506-1010.

If coverage is terminated because you revoked your election during your leave of absence, your coverage may be reinstated upon your return to a benefit eligible active employment status with Maricopa County if you complete a Change form to reinstate your benefits within 30 days of your return. Failure to complete a Change form within the 30-day timeframe will result in loss of benefits for the remainder of the Plan year. Refer to the *WHEN CAN CHANGES BE MADE?* section.

# WHAT IF I STOP WORKING FOR MARICOPA COUNTY?

For the **Dependent Care** FSA, you can be reimbursed for expenses you incur during the plan year as long as you have money in your account. Once your employment with Maricopa County ends, you can no longer contribute to the Dependent Care FSA.

For the **Health Care** FSA, you can be reimbursed for expenses you incurred through the last day of the pay period in which you made a contribution, up to the total amount you elected to contribute in your account for the year. If your remaining benefits exceed your remaining contributions at the time your employment ends, you can continue to participate in the Health Care FSA after your employment ends by continuing to contribute on an after-tax basis to the plan if you elect continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) through the end of the current calendar year. Contact the Benefits Office for details.

If you leave employment with the County and return to work within 30 days, your election will be reinstated and your annual election will continue. Employment lapses of less than 31 days are not a qualifying reason to change or cancel your election.

## IMPORTANT TAX CONSIDERATIONS

- Federal tax laws only allow deductions for medical expenses that are over 7.5 percent of adjusted gross income.

For example, if your total adjusted gross income were \$30,000, you'd have to incur more than \$2,250 in uncovered medical bills before anything would be deductible. And **you could only claim the costs exceeding \$2,250.**

**What can you do?** Open a Health Care FSA. Paying out-of-pocket costs with tax-free account dollars gives you *immediate* tax savings and reduces your taxable income!

- Since you are reimbursed from your account with tax-free dollars, expenses may not be claimed again as a tax deduction on your annual tax return.
- Dependent care expenses that aren't paid through a Flexible Spending Account may qualify for a federal tax credit. See *FEDERAL INCOME TAX CREDIT OR FLEXIBLE SPENDING ACCOUNT?* section for more information on which is better for you.
- FSAs are not meant to be used for deferred compensation. Thus, the IRS only allows these special tax breaks as a way to pay eligible health care and dependent care expenses. However, any money left unclaimed in your accounts as of November 30 of the following year for services incurred in the prior year cannot be returned to you.
- Increases or decreases in your FSA contributions may not be made during the year unless you have a change in status as defined under the IRC Section 125. You may only make changes in your election that are consistent with the status change. Changes in status must be reported in writing with supporting documentation to the Benefits Office within 30 days of the event. Changes received after this period or without sufficient documentation will not be processed.

# WHEN CAN CHANGES BE MADE?

Open Enrollment is held only once a year. This is your opportunity to enroll or re-enroll in the Mariflex Flexible Spending Account Plan. Once your election is made, you may not change your FSA contribution for either your health care or dependent care account during the Plan year, unless you have a qualified status change. You may only make changes in your election that are consistent with the status change.

Examples of qualified status changes as permitted by IRC Section 125 are listed below.

1. Leave under the Family Medical Leave Act (FMLA).
2. Judgment, decree or order resulting from a divorce, legal separation, annulment, or change in legal custody, including a qualified medical child support order that requires accident or health coverage for an employee's child.
3. Entitlement or loss of entitlement of Medicare or Medicaid (the Arizona Health Care Cost Containment System, more commonly referred to by its acronym AHCCCS, is the Medicaid program in Arizona).
4. Change in Status:
  - a. Events that change an employee's legal marital status, including the following: marriage, death of spouse, divorce, legal separation or annulment.
  - b. Events that change an employee's number of dependents, including the following: birth, death, adoption, and placement for adoption. In the case of dependent care spending account, a child turning age 13.
  - c. Any of the following events that change the employment status of the employee, the employee's spouse or the employee's dependent.
    - A termination or commencement of employment.
    - A strike or lockout.
    - A commencement of or return from an unpaid leave of absence of more 30 days.
    - A change in the number of hours to become benefit eligible.
    - A change in job or employment status that renders the employee benefit eligible or ineligible such as moving from temporary status (benefit ineligible) to a regular status benefit-eligible position or changing from a contract position with no benefits to a position with benefits.
5. Dependent satisfies or ceases to satisfy eligibility requirements because of attainment of age, student status or any similar circumstance.
6. Significant cost changes (dependent care FSA only) as long as the provider is not a relative.
7. Change in day-care providers.

You may only make changes in your election that are consistent with the status change. Also, for a change to be allowed for any event listed in number 4 above, the event must cause a gain or loss of eligibility for the coverage.

# WHO SHOULD OPEN A FLEXIBLE SPENDING ACCOUNT?

Working parents of small children know that good childcare can take a big bite out of the family budget. If you have a child who needs care while you're at work, you may be able to save some more money by opening a Flexible Spending Account. Some families include a disabled dependent such as an elderly parent. See details on qualified dependents at [www.asiflex.com](http://www.asiflex.com). A qualified dependent cannot make

more taxable income than the Federal tax exemption amount (\$3,200 for 2005). Having to work often means relying on others to provide care. If you must obtain care for a disabled loved one so you can work, a Dependent Care FSA can ease the financial burden.

And although the Maricopa County health plan provides excellent coverage, no plan pays for everything. Using a tax-free health care spending account to pay for these costs can save you money.

If you answer "YES" to any of the questions below, a Flexible Spending Account may be right for you.

- Do you have young children who need day care so you can work?
- Is there someone in your household who needs home nursing care?
- Do you or your children need braces?
- Does anyone in your family wear glasses, contact lenses or a hearing aid?
- Do you have small, uncovered medical expenses that seem to chip away at your hard-earned paycheck?

## BEFORE YOU DECIDE

First, take time to consider the state of your health and that of your family. Take a look at last year's health care bills and maybe those from the year before. How much do you pay out-of-pocket for health care each year? Do you usually meet plan deductibles? Review your health insurance to see what it covers. Then use the health care expense worksheet to estimate your out-of-pocket costs for the coming year. It will help you decide how much to contribute to a Health Care FSA.

If you pay for dependent care, estimate the amount you expect to pay over the next year. Consider opening a Dependent Care FSA in an amount equal to what you expect to spend.

**Taking the time to accurately estimate your expenses is very important! Remember, by law, any money left unclaimed in your accounts at the end of the year cannot be returned to you.**

It's a good idea to be conservative in your estimates. FSAs should be used only for predictable expenses. For those expenses you're sure of, why not pay them with tax-free money?

## WHO CAN PARTICIPATE?

Please review the *WHO'S ELIGIBLE?* and *ARE DEPENDENTS ELIGIBLE?* sections of the ***Know Your Benefits guide*** for details.

## HOW AND WHEN DO I SIGN UP?

Participation in Mariflex FSAs is not automatic from the current Plan year to the next Plan year. **You must re-enroll each year.**

Benefit-eligible new hires may enroll for the calendar year in which they are hired by submitting a Mariflex enrollment form within the first 30 days of employment. Benefits and deductions start the day your enrollment election is received by the Benefits Office.

All employees participating in the Mariflex plan or benefit-eligible employees who want to enroll in the Mariflex plan for the first time must complete the Mariflex enrollment information through the Employee Self-Service feature of PeopleSoft new hire or open enrollment event. Changes to your enrollment due

to a family status change can be made on the Mariflex Change form. Refer to the *WHEN CAN CHANGES BE MADE?* section for a list of qualified family status changes.

**ENROLLMENT FORMS CAN BE FOUND AT:**

- Intranet: [http://ebc.maricopa.gov/hr/benefits/pdf/flexible\\_enrollment\\_form.PDF](http://ebc.maricopa.gov/hr/benefits/pdf/flexible_enrollment_form.PDF)
- Internet: [http://www.maricopa.gov/benefits/pdf/flexible\\_enrollment\\_form.PDF](http://www.maricopa.gov/benefits/pdf/flexible_enrollment_form.PDF)
- Maricopa County Employee Health Initiatives, Benefits Office  
301 West Jefferson, Suite 201  
Phoenix, AZ 85003

## FEDERAL INCOME TAX CREDIT OR FLEXIBLE SPENDING ACCOUNT?

The Dependent Care FSA is an alternative to taking a “Tax Credit” allowed with your tax filing each year. You may receive a tax break on your expenses, but you must choose whether to use the “Tax Credit” or the “FSA”. The IRS will not allow you to receive two tax breaks on the same expenses.

“Tax Credit” is allowed for child/dependent care expenses of up to \$6,000 per year for two or more dependents (\$3,000 per year for one dependent). You can file for the “tax credit” on your annual tax return, at the end of the year. The credit is an amount equal to your dependent care expenses multiplied by a percentage determined by your combined adjusted gross income. The percentage decreases from a high of 35% to a low of 20% as your income increases.

“Dependent Care FSA” allows a tax break on up to \$5,000 per year, \$2,500 if married filing separately, for any number of dependents (one, two, or more). You will experience “tax savings” throughout the year with every paycheck you receive. Employees who pay the lowest federal tax bracket of 15%, state taxes of approximately 6%, and Social Security taxes of 7.65% would save around 28% of expenses through the FSA. As their federal tax percentage rises, they would receive an even higher tax break by utilizing the FSA.

Generally those employees with a combined income over \$31,000 or who spend more than \$3,000 for care for one person would have a higher percentage tax break through the FSA. All other employees generally would receive a higher percentage tax break utilizing the Tax Credit. Please contact your tax advisor if you have any questions about what is best for you.

**You are required to file Schedule 2** with your IRS Form 1040A or **Form 2441** with your IRS Form 1040 to support the amount contributed for the Plan year. Please note that this is for informational purposes. You will not pay taxes on the redirected amount. Payments made to you under this category are not taxable, but the amount redirected will appear on your W-2 form. This will inform the IRS that you have received a tax break on that expense through the Dependent Care Flexible Spending Account.

# WHO TO CONTACT

## **CUSTOMER SERVICE AND AUTHORIZED DEDUCTIONS**

ASI is the Mariflex administrator and will handle all your customer service needs and answer specific questions on what deductions are authorized for your FSA(s).

### **ASI CONTACT INFORMATION**

- Internet: <http://www.asiflex.com>
- E-mail: [asi@asiflex.com](mailto:asi@asiflex.com)
- Phone: (800) 659-3035, Monday-Friday, 7 a.m.-7 p.m. CST and from 9 a.m. – 1 p.m. on Saturday
- Fax: (866) 381-9682
- Mail: ASI  
P. O. Box 6044  
Columbia, MO 65205-6044

## **ENROLLMENT**

Questions regarding enrollment in one or both FSAs should be directed to the Maricopa County Employee Benefits Office.

### **ONLINE RESOURCES FOR MARICOPA COUNTY EMPLOYEES**

- Intranet: <http://ebc.maricopa.gov/hr/benefits/default.asp?link=mariflex>
- Internet: <http://www.maricopa.gov/benefits/default.asp?link=mariflex>

### **EMPLOYEE BENEFITS OFFICE CONTACT INFORMATION**

- E-mail: [benefitsservice@mail.maricopa.gov](mailto:benefitsservice@mail.maricopa.gov)
- 602-506-1010, Monday-Friday, 8 a.m.-5 p.m. MST
- Maricopa County Employee Benefits Office  
301 West Jefferson, Suite 201  
Phoenix, AZ 85003

## **RETIREMENT SYSTEMS**

Questions regarding the effects one or both FSAs might have on your retirement benefits should be directed to your retirement plan.

### **ARIZONA STATE RETIREMENT SYSTEM**

- Internet: <http://www.asrs.state.az.us>
- 602-240-2000 Local
- 800-621-3778 Outside Phoenix Metro Area

### **PUBLIC SAFETY RETIREMENT SYSTEM**

- Internet: <http://www.psprs.com>
- 602-255-5575