



## **POLICY MANUAL**

### **BENEFITS**

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**Number 352**

**Subject: Flexible Spending Accounts**

**Covered Employees: Benefit Eligible Employees**

**Date of Origin: January 24, 1997**

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#### **352.1 POLICY**

The Utah State University flexible spending account (FSA) program is drafted under the provisions of Sections 125 and 129 of the Internal Revenue Code.

The FSA program includes a health care account and a dependent care account. An employee may elect to participate in either or both accounts and makes his/her voluntary election annually.

Contributions to the account(s) are made on a pre-tax basis, i.e., before federal, state and Social Security taxes are deducted from the employee's paycheck. Money in the health care account may be used to pay for eligible health care expenses, and money in the dependent care account may be used to pay for eligible day care expenses, as listed below. FSA-eligible expenses include the following:

##### **1.1 Insurance Expenses**

Utah State University insurance premiums, including medical and dental premiums and life insurance premiums for the first \$50,000 of coverage. Premiums are automatically paid unless the employee instructs otherwise.

##### **1.2 Out-of -Pocket Expenses**

**Health Care Expenses:** All eligible out-of-pocket medical, dental, prescription, and eye care expenses, which qualify as expenses under Section 125 of the Internal Revenue Code. These expenses may not be also reimbursable or payable under a group medical, dental, and/or vision plan. The aggregate amount of expenses claimed cannot exceed 100% of salary.

Dependent Day Care Expenses: Eligible day care expenses for eligible children or other dependents, provided they can be claimed as a dependent on the employee's tax return. The expenses must qualify as eligible expenses under Section 129 of the Internal Revenue Code. In addition, the Internal Revenue Service has certain requirements concerning where care may be provided and who may provide care. The aggregate amount of expenses claimed are limited to the current IRS published maximum.

IRS regulations do not allow amounts set aside in the FSA program to be carried over from one plan year to the next and prohibit the University from returning any unclaimed dollars to the employee. Amounts set aside in the health care account cannot be used to pay for expenses related to the day care account or vice versa.

## **352.2 PROCEDURES**

### **2.1 Enrollment and Changes**

The plan year for the flexible spending account program begins on July 1 of each calendar year and continues through June 30 of the following calendar year. Enrollment for all employees occurs between May 15 and June 30 each year. Employees must re-enroll yearly. A new employee may enroll within 45 days of his/her hire date.

Once enrolled in the FSA program, an employee may not change or stop his/her contribution rate unless the employee has a family status change that affects his/her need for benefits or the ability to pay for them. The IRS allows the following family status changes:

- the employee marries or divorces
- a child is born or adopted
- a spouse or dependent dies
- a spouse starts or terminates employment
- the employee or spouse changes from full-time to part-time employment (or vice versa)
- the employee or spouse takes an unpaid leave of absence

Employees wishing to make a family status change must notify the Office of Human Resources and complete the necessary paperwork within 31 days of the event.

### **2.2 Reimbursements**

Employees may only be reimbursed for expenses which have been incurred during the plan year in which the dollars have been withheld. There is a 90-day period after the end

of the plan year during which the employee may claim expenses incurred in the previous plan year. Any money not claimed by the end of this period will be forfeited by the employee.

Procedures for filing a reimbursement claim against the FSA are available from the Office of Human Resources.

### **2.3 Termination of FSA Participation Before Plan Year End**

An employee's right to participate in the flexible spending account ends upon termination of employment or faculty appointment for any reason (including retirement). The departing employee may be able to continue to submit claims for reimbursement from his/her account(s) for expenses the employee incurred while employed at the University and participating in the account(s). Employees should contact the Office of Human Resources for additional information regarding these procedures.

If employment ends, the employee may be able to extend his/her participation in the Health Care account through COBRA on an after-tax basis. The Office of Human Resources will provide the terminating employee with information regarding this feature.

## **352.3 RESPONSIBILITY**

### **3.1 Office of Human Resources**

Responsible for providing assistance in implementing this policy in accordance with the University's flexible spending account plan, and in accordance with the Internal Revenue Service Code, Sections 125 and 129.

### **3.2 Employees**

Responsible for obtaining information about the University's flexible spending account plan directly from the Office of Human Resources. In the event of a family status change, employees must notify the Office of Human Resources within 31 days.