

Number 13.3 - FLEXIBLE SPENDING ACCOUNT PLAN

Effective Date: March 1, 1996

Applicable To: All classified employees, as well as exempt and appointed, with the Executive Branch of the State of Vermont.

Issued By: Department of Personnel

Approved By: William H. Sorrell, Secretary of Administration

PURPOSE

The purpose of this policy is to describe the flexible spending account plan available to State employees.

GENERAL INFORMATION

The State of Vermont's offers to classified, exempt and appointed employees a flexible spending account plan known as the TaxSaver Option Plan. The TaxSaver Option Plan (TOP) is a flexible spending account which gives employees the opportunity to pay for medical and/or dependent care expenses on a **PRE-TAX** basis (before taxes are deducted). This plan is governed by Internal Revenue Service (IRS) regulations, Sections 125 and 129.

Contributions to the TaxSaver Option Plan reduce an employee's Social Security benefit by an equal amount.

Through the TaxSaver Option Plan, employees may set aside pre-tax dollars from their pay to cover qualifying medical and/or dependent care expenses. An employee may set up either a medical or a dependent care expense account, or both.

Contributions to the plan for the entire plan year must be specified in advance. The amount of the contribution cannot be changed unless there is a change in family status (as in the case of childbirth, adoption, marriage, death of a spouse, etc.).

The IRS has established strict guidelines for monies that are not used by the end of a plan year. FUNDS THAT ARE NOT USED TO REIMBURSE EXPENSES INCURRED DURING THE PLAN YEAR MUST BE FORFEITED. (Any forfeited funds will be used to offset the plan's administrative costs.) An employee has ninety (90) days after the plan year ends to submit eligible expenses incurred during the plan year.

Temporary and contractual employees **are not eligible** for the flexible spending account plan.

MEDICAL EXPENSE ACCOUNT

Employees may set aside PRE-TAX dollars to pay for medical, dental, vision care or other eligible expenses which are not covered by their health care plan. Qualified benefits are listed under IRS Code Section 125. When eligible expenses are incurred, employees must file a claim to be reimbursed from their Medical Expense Account. The maximum amount that can be set aside in this account is \$1,500 each calendar year.

Employees may receive advance reimbursement from the Medical Expense Account. This means that the full amount of the annual deposit is available immediately at the beginning of the plan year for reimbursement of eligible expenses.

DEPENDENT CARE EXPENSE ACCOUNT

Contributions from the employee to the Dependent Care Expense Account are not subject to federal or State income taxes or social security tax. The maximum amount that can be set aside in this account is \$5,000 each calendar year for single employees. Married employees are limited to the \$5,000 maximum as well. If both the employee and spouse are enrolled in a Dependent Care Expense Account, whether it be the TOP plan or another employer's plan, their combined contributions cannot exceed \$5,000.

When eligible Dependent Care expenses are incurred and an employee is enrolled in the TOP to cover these expenses, a claim may be filed and the employee will be reimbursed from the account. In the Dependent Care Expense Account, however, (unlike the Medical Expense Account rules), funds are available **only as they are deposited each payroll period** during the plan year.

ENROLLMENT

To participate in the TaxSaver Option Plan, employees MUST COMPLETE AND FILE AN ENROLLMENT FORM EACH PLAN YEAR, indicating the annual contribution for each account. The plan year begins on January 1 and ends on December 31 each year. New employees have sixty (60) days from the date of hire to enroll in TOP. Current employees may enroll during the annual open enrollment period during the month of November. Enrollment forms are available from agency/department personnel officer, or from the Employee Benefits Division of the Department of Personnel.

The employee's annual contribution will be divided by the number of pay periods in the year to arrive at the amount to be deducted from the employee's salary each pay period.