



**Dependent Care Assistance Plan**

**Medical Reimbursement Account**

Administered by  
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## **OVERVIEW**

### **DEPENDENT CARE ASSISTANCE PLAN MEDICAL REIMBURSEMENT ACCOUNT**

San Jose Unified School District offers the following two benefit plan options:

- Medical Reimbursement Account (MRA) with an annual limit up to \$5,000 in deductions.
- Dependent Care Assistance Plan (DCAP) with an annual limit of up to \$5,000; if married filing separately limit is \$2,500.

One of the most important features of MRA and DCAP is that you are allowed to make contributions to these programs on a pre-tax basis; thereby increasing your net take home pay.

### **IMPORTANT INFORMATION**

The plan year for these programs is from January 1<sup>st</sup> through December 31<sup>st</sup> of the same year.

Both programs require that an employee elect to participate either within 30 days of date of hire, or during the annual open enrollment period, or within 30 days of a change in family status.

If you wish to continue to participate in any of these programs each plan year, you are required to make an election to re-enroll by completing the necessary paperwork each and every annual enrollment period.

## **DEFINITION OF DEPENDENT CARE ASSISTANCE PLAN**

Dependent Care Assistance Plans are an innovative way for you to save tax dollars. By participating in DCAP, you can pay for your dependent care expenses with “PRE-TAX” dollars and increase your net take home pay.

### **1. What is a Dependent Care Assistance Plan?**

It is a voluntary plan that provides you with the choice of receiving your full salary in cash, or redirect a portion of your salary into TAX-FREE benefits.

By electing to redirect a portion of your salary to DCAP, you essentially “bank” your money in a TAX-FREE account. The money is used to pay for all those expenses that previously ate away at your take home pay.

### **2. If I elect to redirect a portion of my salary, how can this benefit me?**

The biggest advantage is the tax savings. Since you use pre-tax dollars for reimbursement of child and dependent care expenses, you reduce your income taxes by reducing your taxable salary.

### **3. If I redirect part of my pay, won't I make less money?**

No. You still make the same amount of money. What the plan does is allow you to redirect the distribution of your salary so that part of your salary, which you would ordinarily pay to a babysitter or daycare provider, is moved “PRE-TAX” into an account from which you pay such expenses. The result will be that you actually have more income after taxes.

## **ELIGIBILITY FOR DCAP**

Before you become a participant in DCAP, there are certain rules which you must satisfy.

### **1. What are the eligibility requirements for this plan?**

You must be a regular full or part-time employee. Extra Help employees, Contractors and Intermittent Workers are not eligible to participate in this plan.

### **2. When can I become a participant in the plan?**

- Within 30 days of your date of hire.
- Within 30 days of the addition of an eligible dependent.

- During the annual open enrollment period each year.

### 3. **What must I do to enroll in the plan?**

You must complete a Dependent Care Assistance Plan Election Form and submit it to San Jose Unified School District.

**IMPORTANT NOTE:** You must re-enroll each and every year during open enrollment to continue participation in this plan.

## **OPERATION OF DCAP**

### 1. **How does the plan operate?**

Before the start of each Plan Year, you will be able to elect to have some of your upcoming pay contributed to DCAP. These amounts will be placed in a special account called a Reimbursement Account that must be set up in order to pay for the benefit you have chosen. The portion of your pay that is paid to the Plan and placed in a Reimbursement Account is not subject to Federal & State income taxes or SDI taxes. In other words, Reimbursement Accounts allow you to use TAX-FREE dollars to pay for certain kinds of expenses which you normally pay for with out-of-pocket, taxable dollars. However, if you receive reimbursement for an expense under the Plan, you may not be able to claim a Federal Income tax credit or deduction on your income tax return for that expense.

### 2. **What happens to contributions that are made to the plan?**

Before each Plan Year begins, you will select how much should go into your Reimbursement Account. It is very important that you make this choice carefully based on what you expect to spend during the Plan Year. Then, during each pay period, the contributions will be placed in your Reimbursement Account in the specific amounts you have designated. Later these contributions will be used to pay for qualifying expenses as they arise during the Plan Year.

### 3. **Which expenses qualify under this plan?**

- Expenses paid to a dependent care center.
- Expenses paid for care of a dependent under age 13.
- Expenses paid for care of another dependent who is physically or mentally incapable of caring for himself/herself.

### 4. **May I change my election during the Plan Year?**

Generally, you cannot change the election you have made after the beginning of the Plan Year. However, there are certain limited situations when you can change your election. You are permitted to change your election if there is a change in your family status. Currently, Federal law considers you to have such a change in your family status if:

- You get married or divorced.
- Your spouse and/or dependent dies.
- You have a child or adopt one.
- Termination/commencement of your spouse's employment.
- You or your spouse has a change of normal work hours.

**5. May I make new elections in future Plan Years?**

Yes, in fact you must! For each new Plan Year, you must make an election for the upcoming year. At that time you may continue with your current election, change the election that you previously made with your current election or choose not to participate for the upcoming Plan Year.

**If you do not submit the necessary forms during the annual open enrollment period to continue participation in the Plan, San Jose Unified School District. will consider that to mean you have elected NOT to participate in the upcoming Plan Year.**

## **BENEFITS & PAYMENTS FOR DCAP**

**1. What benefit is available for my account?**

The DCAP account enables you to pay for out-of-pocket, work related dependent care expenses with PRE-TAX dollars.

Eligible child and dependent care expenses are for household and dependent care services which enable you and your spouse to be gainfully employed – unless your spouse is disabled or a full time student for at least five months during the year. To qualify for reimbursement, child and dependent care expenses cannot exceed the earned income of the lesser earning spouse. Earned income is the remaining salary after all salary reductions have been made. If your spouse is disabled or a student, the law assumes that your spouse has a monthly income of \$250 if you have one dependent or \$500 if you have two or more dependents.

**2. Who is considered an eligible dependent?**

An eligible dependent is any member of your household for whom you can claim expenses on Federal Income Tax Form 2441, "Credit for Child and Dependent Care Expenses". According to the IRS, qualified dependents are children under age 13, a disabled spouse, or a relative or a household member who is physically or mentally incapable of caring for him/herself and whom you claim as a dependent on your Federal income tax return. A dependent adult must regularly spend at least eight hours a day in your household.

**3. What is considered as a qualifying expense through DCAP?**

Qualifying child and dependent care expenses include such items as:

- Nursery schools, day care centers and summer day camps. The school or center must comply with state and local laws.
- An educational institution (public or private) for pre-school children. For older children, only expenses for non-school care are eligible.
- An "individual" who provides care inside or outside your home. The "Individual" may not be a child of yours under age 19 or anyone whom you claim as a dependent for Federal tax purposes.
- Dependent care centers that provide day care (not residential care) for dependent adults.

The expenses that do not meet the above criteria do not qualify for reimbursement. You should make sure that the dependent expenses you are currently paying for qualify under this plan.

Also, Federal tax laws permit a tax credit for certain dependent care expenses you may be paying for even if you are not a participant in this Plan. You may save money if you take advantage of this tax credit rather than using the DCAP. Ask your tax advisor which credit would be better for your situation.

**4. When will I receive payment from my account?**

During the course of the Plan Year, you may submit requests for reimbursement of expenses you have already incurred. The Administrator will provide you with acceptable forms for submitting these requests for reimbursement. Requests will be processed within approximately 48 hours after the Administrator receives a complete and accurate form. Reimbursements are not subject to Federal and State income tax or SDI tax.

**5. What happens if I don't spend all my contributions?**

**Any monies left in your account at the end of the Plan Year will be forfeited.**

Qualifying expenses that you incur late in the Plan Year will be paid before any amount is forfeited. However, you must make your request for reimbursement no later than 90 days after the end of the plan year.

Since it is possible that you might forfeit amounts in your account if you do not fully use the contributions that have been made, it is important that you **CAREFULLY AND CONSERVATIVELY** decide how much to contribute each payperiod to this plan. You want to be as certain as you can that the amount you decide to contribute will be used up entirely.

**6. What happens if I separate from employment during the Plan Year?**

If you leave San Jose Unified School District during the Plan Year, you will still be able to request reimbursement for qualifying expenses for up to 90 days after you separate from employment, but only for expenses that were incurred before you separated employment.

## **DEFINITION OF MEDICAL REIMBURSEMENT ACCOUNT**

Medical Reimbursement Account plans are an innovative way for you to save tax dollars. By participating in MRA you can use PRE-TAX dollars for reimbursement of personal medical expenses not covered by insurance while reducing your taxable salary.

**1. What is a Medical Reimbursement Account?**

It is a voluntary plan that provides you with the choice of receiving your full salary in cash, or redirect a portion of your salary into TAX-FREE benefits.

By electing to redirect a portion of your salary to MRA, you essentially “bank” your money in a TAX-FREE account. The money is used to pay for all those expenses that previously ate away at your take home pay.

**2. If I elect to redirect my salary, how can this benefit me?**

The biggest advantage is the tax savings. Since you use pre-tax dollars for reimbursement of personal expenses, you reduce your income taxes by reducing your taxable salary.

**3. If I redirect part of my salary, won't I make less money?**

No. You still make the same amount of money. What the plan does is allow you to redirect the distribution of your salary so that part of your salary which you would ordinarily pay for personal medical expenses not covered by insurance would be moved “PRE-TAX” into an account from

which you pay such expenses. The result will be that you actually have more income after taxes.

## **ELIGIBILITY FOR MRA**

Before you become a participant in MRA, there are certain rules that you must satisfy.

1. **What are the eligibility requirements for this plan?**

You must be a regular full or part-time employee. Extra Help employees, Contractors and Intermittent Workers are not eligible to participate in this plan.

2. **When can I become a participant in the plan?**

- Within 30 days of your date of hire.
- Within 30 days of the addition of an eligible dependent.
- During the annual open enrollment period each year.

4. **Are there any who employees who are not eligible?**

Yes, employees who are not eligible for San Jose Unified School District benefits.

5. **What must I do to enroll in the plan?**

You must complete a Medical Reimbursement Account Election Form and submit it to San Jose Unified School District.

**IMPORTANT NOTE:** You must re-enroll each and every year during open enrollment to continue participation in this plan.

## **OPERATION OF MRA**

1. **How does the plan operate?**

Before the start of each Plan Year, you will be able to elect to have some of your upcoming pay contributed to MRA. These amounts will be placed in a special account called a Reimbursement Account that must be set up in order to pay for the benefit you have chosen. The portion of your pay that is paid to the Plan and placed in a Reimbursement Account is not subject to Federal & State income taxes or SDI taxes. In other words,

Reimbursement Accounts allow you to use TAX-FREE dollars to pay for certain kinds of benefits and expenses which you normally pay for with out-of-pocket, taxable dollars. However, if you receive a reimbursement for an expense under the Plan, you may not be able to claim a Federal Income tax credit on your income tax return for that expense.

**2. What happens to contributions that are made to the plan?**

Before each Plan Year begins, you will select how much should go into your Reimbursement Account. It is very important that you make this choice carefully based on what you expect to spend during the Plan Year. Then, during each pay period, the contributions will be placed in your Reimbursement Account in the specific amounts you designated. Later these contributions will be used to pay for qualifying expenses as they arise during the Plan Year.

**3. Which expenses qualify under this plan?**

Allowable expenses paid for the employee and any dependent who meets the definition under the I.R.S. Tax Code. See page 11 for examples of allowable expenses.

**4. May I change my election during the Plan Year?**

Generally, you cannot change the election you have made after the beginning of the Plan Year. However, there are certain limited situations when you can change your election. You are permitted to change your election if there is a change in your family status. Currently, Federal law considers you to have such a change in your family status if:

- You get married or divorced.
- Your spouse and/or dependent dies.
- You have a child or adopt one.
- Termination/commencement of your spouse's employment.
- You or your spouse has a change of normal work hours.

**5. May I make new elections in future Plan Years?**

Yes, in fact you must! For each new Plan Year, you must make and election for the upcoming year. At that you time you may continue with your current election, change the election that you previously made with

your current election or choose not to participate in the Plan for the upcoming Plan Year.

**If you do not submit the necessary forms during the annual open enrollment period to continue participation in the Plan, San Jose Unified School District. will consider that to mean you have elected NOT to participate in the upcoming Plan Year.**

## **BENEFITS & PAYMENTS FOR MRA**

### **1. What benefit is available for my account?**

The MRA enables you to pay for out-of-pocket medical expenses not covered by insurance. Examples of qualifying medical expenses may be found on page 11 of this brochure.

### **2. When will I receive payment from my account?**

During the course of the Plan Year, you may submit requests for reimbursement of qualifying medical expenses. The Administrator will provide you with acceptable forms for submitting these requests for reimbursement. You will need to attach a copy of the medical billing or receipt to this form. Requests will be processed within approximately 48 hours after the Administrator receives a complete and accurate form. Reimbursements are not subject to Federal and State income tax or SDI tax.

**NOTE:** YOU SHOULD KEEP THE ORIGINAL BILLING OR RECEIPT FOR YOUR RECORDS

### **3. What happens if I don't spend all my contributions?**

*Any monies left in your account at the end of the Plan Year will be forfeited.* Qualifying expenses that you incur through March 15<sup>th</sup> following the end of the Plan Year may be claimed until the end of March. You must make your request for reimbursement no later than March 31<sup>st</sup> following the end of the Plan Year or no later than 90 days from your date of termination from the plan, whichever is earlier.

Since it is possible that you might forfeit amounts in your account if you do not fully use the contributions that have been made, it is important that you **CAREFULLY AND CONSERVATIVELY** decide how much to contribute each pay period to this plan. You want to be as certain as you can that the amount you decide to contribute will be used up entirely.

### **4. What happens if I separate from employment during the Plan Year?**

If you leave San Jose Unified School District during the Plan Year, you will still be able to request reimbursement for qualifying expenses for up to 90 days after your separation from employment, but only for expenses that were incurred before you separated employment.

## QUALIFYING MEDICAL EXPENSES

Only expenses **NOT** reimbursed by insurance can be claimed

Acupuncture	Podiatrist
Air Conditioning used for alleviating illness	Practical Nurse
Ambulance hire	Psychiatrist
Artificial limbs and teeth	Psychoanalyst
Automobile modifications (hand controls, special equipment mechanical lifts, etc.)	Sex therapist
Braille books & magazines (only the portion that exceeds the price for the regular editions)	Specialist
Co-insurance payments	Surgeon
Contact lenses (and cost for replacement if lost or damaged.)	Therapist
Cosmetic surgery when medically required	Guide costs for the blind and deaf (for guide dogs-cost, training and maintenance)
Crutches	Halfway House residency
Deductibles (medical and dental)	Hearing devices
Dental costs (orthodontics, dentures, oral surgery, etc.)	Insulin
Eye Exams	Laetrile (by prescription)
Eyeglasses	Lead-base paint removal (for children with lead poisoning)
Fees: Anesthesiologist	Legal abortion
Blood Donor	Legal fees (directly related to the mental commitment of mentally ill person)
Chiropractor	Prescription and Over-the-Counter Drugs
Christian Science practitioners	Medical Information Plan
Clinic	Nursing Care
Dentist	Obstetrical expenses
Diagnosis	Operations (and related treatments)
Diathermy	Organ donation expenses
Gynecologist	Oxygen and equipment
Healing Services	Physical Examinations
Hospital	Special equipment and education (for the blind, deaf, disabled, etc.)
Laboratory	Sterilization or reversal fees
Midwife	Substance abuse/dependency treatment
Pediatrician	Support or corrective devices (including special mattress and board for arthritis)
Nurse	Transportation expense relative to illness (mileage @ \$.15 per mile)
Ophthalmologist	Vaccinations
Optician	Wheelchairs
Optometrist	Wigs (where necessary for mental health)
Osteopath	X-Ray
Physician	
Physiotherapist	

**THIS IS NOT A COMPLETE LIST**

10/05