

**County of Los Angeles  
Flexible Benefit Programs**

**Health Care and  
Dependent Care  
Spending Accounts**



**For 2008**

<b>Table Of Contents</b>	<b>Page</b>
What Is A Spending Account? .....	2
The Spending Account Tax Advantage .....	2
How Spending Accounts Work .....	2
Eligibility .....	3
Enrolling In A Spending Account .....	3
The Spending Accounts:	
Health Care Spending Account (HCSA) .....	4
Dependent Care Spending Account (DCSA) .....	9
Submitting Your Spending Account Expense Claims .....	17
Miscellaneous .....	18

## **What Is A Spending Account?**

Health care and dependent care can get expensive. But, you can save money by paying for certain health and dependent care expenses with before-tax dollars. How? Through a health care spending account or a dependent care spending account maintained for eligible employees of the County of Los Angeles. These accounts are benefits that are available to represented employees under *Choices* and *Options*, and to nonrepresented employees under *MegaFlex* and the *Flexible Benefit Plan*.

This booklet summarizes the important terms that apply to the spending account plans available to eligible County of Los Angeles employees. These plans are intended to comply with applicable federal tax law and will be interpreted and administered by the County consistent with the law. If there is any discrepancy between the statements in this booklet and the terms of the relevant plans, as stated in the County Code, the terms of the plan will control.

## **The Spending Account Tax Advantage**

When you elect to participate in a spending account, you set aside part of your salary on a before-tax basis to pay for certain eligible expenses. In addition, the County will make contributions to a dependent care spending account on your behalf if you elect to participate. (See pages 9-11 for information on the County contribution.) You would normally pay these expenses out of your own pocket with after-tax dollars. When you make contributions to a spending account, you pay no taxes on the money you contribute. *This means you lower your taxable income and pay lower taxes.*

## **How Spending Accounts Work**

- First, you need to estimate your eligible out-of-pocket health and dependent care expenses for the coming calendar year. These are the expenses *not* covered by your health plans, such as deductibles, copayments, day care costs, etc. Use the handy worksheets on pages 8, 15, and 16 of this booklet to help you with your estimating.
- When you have an eligible health or dependent care expense, pay the bill as usual, and then submit your claim for reimbursement. You may also submit unpaid bills for eligible expenses. See page 17 of this guide for information on submitting a claim for eligible spending account expenses.

- You are paid back from your spending account with tax-free dollars:
  - Anytime during the year you may file a health care claim and be reimbursed for the maximum annual amount that you elected to be deposited into your health care spending account, even if the full amount has not yet been deposited into your account.
  - Dependent care expenses are reimbursed up to the amount in your account at the time the claim is filed.
- Remember, these are separate accounts. You may not use money from your health care account to pay for dependent care expenses, and you may not use money from your dependent care account to pay for health care expenses.

*Careful planning is the key to saving taxes through spending accounts. You should contribute money only for eligible expenses you are sure you will have during the calendar year—do not deposit money for unanticipated expenses. Money left in your accounts as of the end of the year must be forfeited to comply with IRS regulations. You have until June 30 of the following year to file a claim for reimbursement of eligible expenses that you incurred as a participant in the calendar year in which the money was deposited in your account.*

## **Eligibility**

To have a spending account, you must be eligible to participate in *Choices*, *Options*, *MegaFlex*, or the *Flexible Benefit Plan*.

## **Enrolling In A Spending Account**

**“Existing” Employees:** If you are an “existing” employee (i.e., not a new hire or a newly eligible employee), and you would like to participate in a spending account, *during annual enrollment*, you must enroll in the County flexible benefit program that covers you, and elect one or both accounts. You will have an opportunity to elect a spending account when you use the Web or telephone enrollment system. If you enroll during annual enrollment, you will begin participating in your spending accounts—and contributing to your spending accounts—in January.

**New Hires And Newly Eligible Employees:** If you are a new hire or a newly eligible employee, you will have an opportunity to enroll in one or both of the spending accounts during your initial enrollment. If you do not enroll in a spending account when you are first eligible, you will have to wait until the next annual enrollment to enroll. The schedule below provides key dates that apply to new hires and newly eligible employees who enroll in a spending account from January through December. Employees who are hired and enroll in November and December, or employees who are newly eligible for and enroll in the spending account plans in November and December, will begin participation in January of the following year and will begin making contributions in January (November enrollees) or February (December enrollees).

After you enroll in a health care or a dependent care spending account, you will receive a welcome kit in the mail. The kit contains a supply of claim forms, a direct deposit authorization form, instructions for filing a claim for reimbursement, and a notice of privacy practices.

## Spending Account Eligibility/Enrollment/Participation/Contribution Schedule For New Hires & Newly Eligible Employees

You Become Eligible And Enroll During...	Your Participation Begins...	Your Contributions Begin...
January	February	March
February	March	April
March	April	May
April	May	June
May	June	July
June	July	August
July	August	September
August	September	October
September	October	November
October	November	December

### Health Care Spending Account (HCSA)

The health care spending account helps you save tax dollars on eligible medical, dental, vision, and hearing expenses not covered by any benefit plan. You may submit claims for yourself and your eligible dependents. An eligible dependent for the health care spending account is an individual:

- For whom you provide more than half his or her financial support for the taxable year, *and*
- Who lived with you for the entire year as a member of your household or is related to you by blood *or* marriage *or* adoption, *and*
- Who is a U.S. citizen or resident, or a resident of Canada or Mexico for some part of the tax year.

Domestic partners and their dependents may not participate in your health care spending account.

Generally in the case of divorce or separation, the parent who has custody of a child for a greater portion of the calendar year may treat the child as a dependent for purposes of the spending account, even if the support test above is not met.

*Eligible expenses include the following items. See the worksheet on page 8 for additional eligible expenses:*

- Medical and dental deductibles and copayments
- Routine physical exams
- Orthodontia treatment not covered by your dental insurance
- Vision care—including prescription eyeglasses, contact lenses and solution, laser eye surgery, and nonprescription reading glasses

- Over-the-counter medications and drugs, such as pain relievers, antacids, allergy and cold medicines (with certification that the expense was for a medical condition and proof of the expense)
- Hearing aids and tests
- Special equipment prescribed by a doctor for family members with mental or physical disabilities
- Smoking cessation programs, nicotine patches and nicotine gum

*Examples of expenses that **cannot** be reimbursed from your health care spending account include:*

- Cosmetic surgery and procedures if not medically necessary, including teeth whitening
- Cotton balls, bandages, rubbing alcohol
- Diaper service (unless medically required)
- Electrolysis
- Expenses reimbursed by any other health care plan including Medicare or Medicaid
- Funeral expenses
- Health club dues (unless prescribed by a doctor for a medical condition)
- Herbal remedies
- Health foods
- Insurance premiums, including long-term care insurance premiums
- Long-term care services
- Nonprescription dietary supplements or vitamins
- Nonprescription glasses
- Vaseline, toothpaste, cosmetics
- Weight loss medications, nonprescribed weight loss control programs
- Dependent care expenses

### **An Example Of How You Can Save Money Using Your HCSA**

Suppose that you bought new contact lenses for \$350, which are not considered a covered expense under your medical plan. So, you wrote a check for \$350 and gave it to your optometrist. If you paid 25% in federal income taxes when you earned this \$350, **your real cost for the contact lenses was \$437.50** ( $\$350.00 + \$87.50$  federal income taxes = \$437.50).

Now suppose that you bought the same contact lenses for \$350 but you paid for them with money you put into your HCSA. Because you did not pay federal taxes on this money, **your real cost for the contact lenses was only \$350.**

*You saved \$87.50 in taxes by paying for your contact lenses with money that was in your HCSA!*

## Contributing To Your Health Care Spending Account

You may put from \$10 to \$400 each month (up to \$4,800 each calendar year) into your health care spending account. To calculate your monthly contribution amount, estimate your 2008 eligible out-of-pocket health care expenses, and divide that estimated number by the number of months in 2008 that you have left to contribute. Your contributions must be stated in whole dollars.

*Example:* Let's assume that you estimate your 2008 eligible out-of-pocket health care expenses will come to \$800. As a new hire, you enroll for a health care spending account in January and begin contributing to the plan in March (see schedule on page 4). To get your monthly contribution amount, simply divide \$800 by 10 (the number of months left in 2008). In this example, you would be contributing \$80 a month into your health care spending account.

**Remember,** the money in your spending account is yours to use for eligible health care expenses that you incur while you are a participant and in the same calendar year in which you contributed money to your account.

**TIP:** To help you estimate your health care expenses, use the worksheet on page 8.

You should also review the important rules starting on this page.

## Important Rules On Health Care Spending Accounts

- **Plan carefully**—The IRS says that your election to put a specific amount of money each month into a health care spending account is an “irrevocable” decision. This means that once you make your election for the year, *you may not change your mind* unless you experience a qualified *change in status* and your change is *consistent with the change in status*. The *change in status rules* are explained in the *Choices, Options, MegaFlex, or the Flexible Benefit Plan* enrollment guide that is applicable to you. Please note that the beginning or ending of an unpaid leave of absence is *not* treated as a qualified *change in status* for purposes of your health care spending account. If you take an unpaid leave of absence, you will be billed directly for your monthly contribution to your health care spending account while you are on leave and, upon your return, your original election will automatically be effective again. Unless you have a qualified *change in status*, you may not change your election even if you do not incur an estimated expense or an expense turns out to be ineligible for reimbursement.
- **Be conservative**—Don't put more money into your account than you think you'll need. Why? Because the IRS says you must forfeit (lose) any money that you don't spend on unreimbursed, eligible expenses that are incurred in 2008. So, be sure to submit all of your claims for eligible expenses incurred while you are a participant in 2008 by June 30, 2009! You may not deduct any unclaimed account money from your federal income taxes.

- **Expenses must be incurred during 2008 and while you are a participant**—You may not submit claims for reimbursement of expenses that are incurred before the date you become a participant in the 2008 account, or after December 31, 2008.
- **Expenses are “incurred” at point of service**—An expense is “incurred” when a service is provided or a product is received, not when a bill is sent or paid. A health care spending account cannot make advance reimbursements of future or projected expenses.
- **Expenses must not be reimbursed or reimbursable from other sources**—Any eligible expenses for which you are not otherwise reimbursed may be paid from your account.
- **Be an active participant**—You may submit claims for expenses incurred in 2008 only for those months in 2008 in which you are an “active participant” in the health care spending account. You are considered an active participant during any month that you make a contribution to the account and, if you are a new hire or are newly eligible, the month before your first contribution. (Except for employees who are newly eligible for and enroll in a health care spending account in November. These employees’ participation and contribution will begin in January of the following year.)
- **COBRA participation is available**—If you take a leave of absence or leave County service during 2008, you may continue participation in a health care spending account for the rest of the year by making your monthly payments through COBRA.
- **Accounts must be kept separate**—Dollars you put into your health care spending account may not be transferred to a dependent care spending account, or vice versa. These accounts must be kept separate. In addition, dependent care expenses may not be reimbursed from your health care spending account.
- **No double tax shelter**—You may not take a tax deduction on your income tax return for expenses paid through your health care spending account.
- **You must enroll every year**—Participation in a health care spending account will not continue automatically from one year to the next. If you want an account, you must enroll every year.
- **Termination of participation**—Your participation in the health care spending account will terminate when you stop making contributions to the account, for example, because you terminate from County service and you elect not to continue your coverage under COBRA. Expenses incurred when you are not a participant are not eligible for reimbursement. If you return to County service in the same year in which your employment terminated and within 30 days of your termination, you will be required to make the same election as was in effect at the time of your termination, unless you experience a qualified *change in status* during your unemployment. If you return to County service 30 or more days after your termination, you will be permitted to make a new election for coverage under the account.

## Health Care Spending Account Worksheet

This is a partial list of eligible expenses. Refer to Internal Revenue Service (IRS) Publication 502 for expenses that qualify for a tax deduction under Internal Revenue Code Section 213. Please note that some expenses (such as insurance premiums) that are eligible for purposes of Code Section 213 are not eligible for reimbursement from your health care spending account. Call your local IRS office to obtain a copy of Publication 502 or access the list through the IRS Web site at [www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html).

Type of Expense	Expense Amount	Type of Expense	Expense Amount
Acupuncture	_____	Smoking cessation programs, nicotine patches, and nicotine gum	_____
Ambulances	_____	Special equipment and treatment for the mentally or physically disabled	_____
Artificial limbs	_____	Sterilization	_____
Birth control pills	_____	Substance abuse and alcohol treatment programs	_____
Braille books	_____	Surgery	_____
Charges in excess of reasonable & customary	_____	Therapy	_____
Chiropractic care	_____	Transplants	_____
Crutches	_____	Weight loss programs as prescribed by a physician to treat a specific medical condition	_____
Deaf adapters for telephone & television	_____	Wheelchairs	_____
Deductibles and copayments	_____	X-ray fees	_____
Dental fees	_____		
Dentures	_____		
Doctor's fees	_____		
Eyeglasses or contact lenses	_____		
Insulin	_____		
Lab fees	_____		
Laser eye surgery	_____	A. Total annual eligible health care expenses:	A. \$ _____
Learning disability counseling	_____		
Nursing fees	_____	B. Decide how much of the total annual amount in Line A you want to put into your individual account for 2008:	B. \$ _____
Orthodontia	_____		
Orthopedic shoes	_____		
Over-the-counter medicines	_____		
Oxygen	_____		
Podiatry	_____		
Prescription drugs	_____	C. Divide the annual amount in Line B above by the number of months in 2008 that you can put money into your health care spending account. This will give you your monthly contribution amount (must be between \$10 and \$400):	C. \$ _____
Psychiatric care	_____		
Psychoanalysis	_____		
Radial keratotomy	_____		
Routine physicals	_____		
Seeing-eye dogs	_____		

## Dependent Care Spending Account (DCSA)

A DCSA allows you to use non-taxable County contributions and pre-tax contributions deducted from your own salary to pay for certain eligible dependent care expenses so you (and your spouse) can work or attend school full-time. You may use the account to pay eligible dependent care expenses for the following qualifying individuals:

- A dependent child under age 13 whom you may claim as an exemption on your federal income tax return. Generally, in the case of divorce or separation, the parent who has custody of a child for a greater portion of the calendar year may treat the child as a dependent for purposes of the spending account.
- Your spouse and any member of your household who is your dependent for tax purposes and who is physically or mentally incapable of caring for himself/herself; this person must live with you at least eight hours per day if his or her care is provided outside the home.

If you are married and you would like to use a dependent care spending account, your spouse must also be currently employed, seeking employment, enrolled as a full-time student for at least five months of the year, or disabled and incapable of self-care.

A qualifying child, spouse, or other dependent must live with you for at least half of the year.

Your domestic partner and his or her dependents are not eligible to participate in your dependent care spending account.

*Eligible expenses include, but are not limited to:*

- Day care provider at your home
- Nursery schools and preschools (if cost of schooling cannot be separated from cost of care)
- Properly licensed day care centers that care for six or more children (including summer day camps)
- Care outside of the home
- The cost of transportation of a qualifying individual by the care provider to or from the place care is provided

*Examples of expenses that **cannot** be reimbursed from your dependent care spending account include:*

- Overnight camps
- Babysitting so you can attend a social event
- Kindergarten
- Education for a child in the first grade or a higher grade
- Tutoring or summer school
- Dependents' health care expenses
- Payments you make to: 1) someone you or your spouse may claim as a dependent; 2) your child who is under age 19 at the end of the year; 3) your spouse; or 4) the other parent of your dependent child who is a qualifying individual
- Food, education, or entertainment expenses unless they are incidental to, and can't be separated from, the cost of dependent care

*Refer to IRS Publication 503 for a list of eligible and ineligible expenses. Call your local IRS office to obtain a copy or access the list through the IRS Web site at*

***[www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html)***

## Contributing To Your Dependent Care Spending Account

Your DCSA may be funded on a tax-free basis with County contributions and, if you elect, with deductions from your own pay. **You do not need to contribute amounts from your own pay to receive a County contribution.** If the County contribution is not large enough to cover your dependent care expenses, you may elect to have an additional amount deducted from your pay and contributed to your DCSA on a pre-tax basis.

If you elect to participate in the DCSA, the County will make a non-taxable monthly contribution of up to the following amount (subject to an annual cap<sup>1</sup>) to your account based on your annual base pay:

Your Annual Base Pay	County's Monthly Contribution (subject to annual cap on contribution <sup>1</sup> )
Less than \$30,000	\$ 375
\$30,000 - \$34,999	\$ 300
\$35,000 - \$39,999	\$ 275
\$40,000 - \$44,999	\$ 200
\$45,000 - \$49,999	\$ 125
\$50,000 or more	\$ 75

If you elect not to participate in a DCSA, you will NOT receive any portion of the County contribution in cash.

**<sup>1</sup> PLEASE NOTE: The County and your employee representatives negotiated the level of County contribution and agreed to a cap on total annual County contributions. The County has imposed a similar cap on nonrepresented employees. If the cap is reached for 2008, the monthly contribution described above will be reduced pro rata for the month in which the cap is reached and then will be stopped completely for the remainder of the Plan Year. Because of the cap, there is no guarantee that you will receive the full monthly contribution listed above during the whole Plan Year. You will be notified if the County contribution is reduced or stopped during the Plan Year.**

If the County contribution is reduced and/or stopped because of the cap, you may have the opportunity to increase the contribution amount deducted from your pay in order to keep the same total contribution level for the remainder of the Plan Year. In addition, you may be allowed to make other changes that are consistent with a qualifying change in status, cost or coverage (for example, revoking your election if your dependent care provider quits or terminates its contract with you). (See your *Choices, Options, MegaFlex, or Flexible Benefit Plan* enrollment guide for a discussion of the changes in status and cost and coverage rules.)

The County will not make a contribution on your behalf if you work less than 8 hours per month or receive less than 8 hours of leave benefits. The County also will not make a contribution on your behalf beginning on the first day of the second month after you otherwise become ineligible to participate in the *Options, Choices, MegaFlex, or Flexible Benefit Plan* (e.g., because you terminate employment). If you change flexible benefit program eligibility in the middle of a Plan Year (e.g., from *Options* to *Choices*), and do not complete your enrollment on time, you will be defaulted into a DCSA under the new flexible benefit program as of the first day of the second month after the enrollment period ends. You then will be subject to the County contribution cap that applies under the new plan.

## **Limits On Total Contributions To Your DCSA**

The amount that you deduct from your pay and contribute to a DCSA may not be less than \$10 per month and, *when added to the County contributions made on your behalf*, may not exceed the following limits:

### *Single Or Married Filing A Joint Return?*

If you are single or married filing joint return, the amount you elect to deduct from your pay and contribute to the DCSA may not cause total contributions to the DCSA to be more than the \$400 per month (\$4,800 per calendar year) (or, if less, the lesser of your or your spouse's earned income). PLEASE NOTE: If you are married filing jointly (or single), the maximum amount that you and your spouse *collectively* may receive under one or more DCSAs *on a tax-free basis* is \$5,000 per year (or, if less, the lesser of your or your spouse's earned income). In other words, if both you and your spouse are employed by the County and you both participate in a County-sponsored DCSA, any amount you and your spouse receive under the DCSAs in excess of the applicable limit for a calendar year will be taxable income, even if not reported as taxable income in your individual W-2.

### *Married Filing Separate Returns?*

If you are married filing separate returns, the amount you elect to deduct from your pay and contribute to the DCSA may not cause total contributions to the DCSA to be more than \$2,500 per calendar year (or, if less, the lesser of your or your spouse's earned income). PLEASE NOTE: If you are married filing separately, the maximum amount that you and your spouse *each* may receive from DCSAs *on a tax-free basis* is \$2,500 per calendar year (or, if less, the lesser of your or your spouse's earned income).

For any month that your spouse is a full-time student or incapable of self-care, your spouse is deemed to be gainfully employed with an earned income of \$250 (or \$500 if you have more than one qualifying individual described on page 9).

### *Calculating Your Salary Deduction Contribution*

To calculate your monthly contribution amount, estimate your 2008 eligible, out-of-pocket dependent care expenses, and divide that estimated number by 12 months (or, if you are a new hire, the number of months in 2008 that you have left to contribute). This number is the total monthly contribution that should be made to your account. If this number is greater than your monthly County contribution, subtract the monthly County contribution from this total amount to determine the amount you should deduct from your own pay. Your contribution must be stated in whole dollars.

Example: Assume that you make \$47,000 per year and your estimated out-of-pocket dependent care expenses for the 2008 Plan Year come to \$2,400. To get your monthly contribution amount, simply divide \$2,400 by 12 to get \$200. Because this amount is greater than the County contribution (\$125 in this case), subtract the monthly County contribution to determine the amount you should deduct from your own pay ( $\$200 - \$125 = \$75$ ). Thus, in this example, you would be deducting and contributing \$75 per month from your own pay into your DCSA, and your DCSA would be credited with \$200 per month.

### *How Does A DCSA Save You Money?*

Taking the facts from the example above, assume that you pay 25% in federal income taxes. This means that, without the DCSA, your real cost for dependent care would be \$3,000 ( $\$2,400 + \$600$  in federal taxes). If you elect to participate in a County DCSA, however, your dependent care will only cost you \$900 for 2008, because you receive a County subsidy and you do not pay federal taxes on amounts contributed to and distributed from your account.

**Remember**, the money in your spending account is yours to use for eligible dependent care expenses that you incur while you are a participant, and in the same calendar year in which you contributed money to your account. Any money that is not used to reimburse or pay expenses for 2008 will be forfeited.

**TIP:** To help you determine the amount you should contribute to a DCSA to cover your estimated dependent care expenses, use the worksheet on page 15. You should also review the important rules in the next section.

## **Important Rules On Dependent Care Spending Accounts**

- **Plan carefully**—The IRS says that your election to put a specific amount of money each month into a dependent care spending account is an “irrevocable” decision. This means that once you make your election for the year, you may not change or cancel your monthly contribution amount unless you experience a qualified *change in status* or *certain cost or coverage changes*. You may not change your monthly contribution amount just because your expenses turn out to be ineligible for reimbursement. The *changes in status, cost, and coverage rules* are explained in the *Choices, Options, MegaFlex*, or the *Flexible Benefit Plan* enrollment guide that is applicable to you. Please note that to change your contributions to your dependent care spending account, your change must be consistent with a qualified *change in status*. Generally, you may be permitted to change your monthly contribution amount if, for example, you:
  - Experience an increase or decrease in day care fees charged by a dependent care provider who is not your relative
  - Change day care providers and this change causes your day care fees to change
  - Have a change in your work schedule (e.g., from full-time to part-time, or vice versa), which causes a change in the number of hours or days worked by a provider

In addition, if you are subject to a cap on annual County contributions and because of that cap your monthly County contribution stops, you may have an opportunity to increase the contributions deducted from your pay in order to keep the same total contribution level for the remainder of the Plan Year.

- **Dependent care must enable you to work**—Your dependent care expenses must be incurred to enable you to work. If you are married, your spouse also must be currently working, seeking employment, enrolled as a full-time student for at least five months of the year, or disabled and incapable of self-care.
- **Be conservative**—Don't put more money into your account than you think you'll need. Why? Because the IRS says you must forfeit (lose) any money that you don't spend on unreimbursed, eligible dependent care expenses that are incurred while you were a participant in 2008. So, be sure to submit all of your claims for eligible expenses that are **incurred** while you were a participant in 2008 by June 30, 2009! You may not deduct any unclaimed account money from your federal income taxes.
- **Expenses must be incurred during 2008 and while you are a participant**—You may not submit claims for reimbursement of expenses that are incurred before the date you become a participant in the 2008 account or after December 31, 2008. You generally may not submit claims for expenses while you are absent from work, and expenses incurred for a period during only part of which you are actively at work must be allocated on a daily basis. You are not required to carve out expenses incurred during short, temporary absences from work, such as for vacation or minor illness, if your dependent care arrangement requires you to pay for care during the absence. An absence of two consecutive calendar weeks is deemed to be a short, temporary absence.
- **Expenses are "incurred" at point of service**—An expense is "incurred" when a service is provided or a product is received, not when a bill is sent or paid. Your spending account may not be used to make advance reimbursements of future or projected expenses.
- **Be an active participant**—You may submit claims for expenses incurred only for those months in 2008 in which you are an "active participant" in a dependent care spending account during 2008. You are considered an active participant during any month that contributions are made to your account and, if you are a new hire or a newly eligible employee, the month before contributions begin. (Except for employees who are newly eligible for and enroll in a dependent care spending account in November. These employees' participation and contribution will begin in January of the following year.)
- **No COBRA Rights**—Dependent care spending accounts may not be continued after your County service ends.
- **Accounts must be kept separate**—Dollars you put into your dependent care spending account may not be transferred to a health care spending account, or vice versa. These accounts must be kept separate. In addition, eligible health care expenses may not be reimbursed from your dependent care spending account.
- **No double tax shelter**—You may not take a tax deduction on your income tax return for expenses paid through your dependent care spending account.
- **Expenses must not be reimbursed from other sources**—Only eligible expenses for which you are not otherwise reimbursed may be paid from your account.

- **You must enroll every year**—Participation in a dependent care spending account will not continue automatically from one year to the next. If you want an account, you must enroll every year.
- **Termination of participation**—Your participation in the dependent care spending account will terminate on the first day of the second month after you are no longer eligible to participate in a County flexible benefit program, for example, because you terminate from County service. Expenses incurred when you are not a participant are not eligible for reimbursement. If you return to County service in the same year in which your employment terminated and within 30 days of your termination, you will be required to make the same election as was in effect at the time of your termination, unless you experience a qualified *change in status* during your unemployment. If you return to County service 30 or more days after your termination, you will be permitted to make a new election for coverage under the account.

### **Dependent Care Spending Account vs. Child And Dependent Care Expense Tax Credit**

Before signing up for a DCSA, you should evaluate whether the tax credit for child dependent care expenses taken on your tax return would provide you with a greater benefit than under the DCSA. This determination depends upon your specific income and tax situation. Some things to consider:

- Generally, if you receive your full County contribution for the whole Plan Year, that County contribution should be more valuable than the maximum tax credit you could receive unless you make \$50,000 or more per year. If you make \$50,000 or more per year and make pre-tax contributions from your own pay, the DCSA still might be a better choice because you may receive an added tax advantage from the DCSA that, together with the County contribution, may outweigh the value of the tax credit.
- Your eligible dependent care expenses are the same expenses that can qualify for a tax credit for child and dependent care expenses on your federal income tax return.
- You may not take a tax credit on your income tax return for expenses paid from your dependent care spending account. Any expenses you do not claim through your dependent care spending account are eligible to be claimed as part of your tax credit at the end of the year. However, the maximum tax credit is reduced for any benefits received from your dependent care spending account.
- You can participate in a dependent care spending account even if you and your spouse file separate tax returns. However, to claim an income tax credit, married couples generally have to file a joint return.

*The County cannot give tax advice. Please consult a tax advisor to determine which option works best for your individual situation.*

## Dependent Care Spending Account Worksheets

The following worksheets will illustrate your potential tax savings from participation in a dependent care spending account. First, calculate your DCSA contribution for 2008 using Worksheet #1 below. Then, using Worksheet #2, estimate your tax savings before you decide to participate in a dependent care spending account. If appropriate, compare this amount to your potential savings from the child and dependent care tax credit. Refer to IRS Publication 503 or Form 2441 for information on how to calculate this amount. You might want to refer to your latest tax return for information as you complete these worksheets.

### Worksheet #1: Determine Your DCSA Contribution

- A. Estimate what you plan to spend on eligible dependent care in 2008: A. \$ \_\_\_\_\_
- 
- B. If you are married and filing a joint return, enter your estimated earned income or your spouse's estimated earned income for the 2008, or \$4,800 whichever is less: B. \$ \_\_\_\_\_
- 
- C. If you are married and filing separately, enter your estimated earned income for 2008 or \$2,500, whichever is less: C. \$ \_\_\_\_\_
- 
- D. If you are a single/head of household, enter your estimated earned income for 2008 or \$4,800, whichever is less: D. \$ \_\_\_\_\_
- 
- E. Enter the lesser of A, B, C, or D: E. \$ \_\_\_\_\_
- 
- F. Divide the amount in E by the number of months in 2008 that you can put money into a Dependent Care Spending Account; this will give you your monthly contribution amount (this amount must be at least \$10 and no more than \$400 a month and must be stated in whole dollars); this is the **total** monthly contribution that should be made to your account to cover your estimated dependent care expenses: F. \$ \_\_\_\_\_
- 
- G. Subtract the monthly County contribution from the amount in F; this is the monthly amount that you should elect to have deducted from your pay to cover your estimated dependent care expenses: G. \$ \_\_\_\_\_

## Worksheet #2: Estimating Your Dependent Care Spending Account Tax Savings

We are providing the 2007 federal tax tables below to help you determine your *estimated* tax bracket this year:

If You Are	And Your Income Is		Your Tax Is		
	Over	But Not Over		PLUS	Of Amount Over
Single	\$0	\$7,825	.....	10%	\$0
	\$7,825	\$31,850	\$782.50	+ 15%	\$7,825
	\$31,850	\$77,100	\$4,386.25	+ 25%	\$31,850
	\$77,100	\$160,850	\$15,698.75	+ 28%	\$77,100
	\$160,850	\$349,700	\$39,148.75	+ 33%	\$160,850
	\$349,700	.....	\$101,469.25	+ 35%	\$349,700
Married filing jointly, or qualified widow(er)	\$0	\$15,650	.....	10%	\$0
	\$15,650	\$63,700	\$1,565.00	+ 15%	\$15,650
	\$63,700	\$128,500	\$8,772.50	+ 25%	\$63,700
	\$128,500	\$195,850	\$24,972.50	+ 28%	\$128,500
	\$195,850	\$349,700	\$43,830.50	+ 33%	\$195,850
	\$349,700	.....	\$94,601.00	+ 35%	\$349,700
Head of household	\$0	\$11,200	.....	10%	\$0
	\$11,200	\$42,650	\$1,120.00	+ 15%	\$11,200
	\$42,650	\$110,100	\$5,837.50	+ 25%	\$42,650
	\$110,100	\$178,350	\$22,700.00	+ 28%	\$110,100
	\$178,350	\$349,700	\$41,810.00	+ 33%	\$178,350
	\$349,700	.....	\$98,355.50	+ 35%	\$349,700
Married filing separately	\$0	\$7,825	.....	10%	\$0
	\$7,825	\$31,850	\$782.50	+ 15%	\$7,825
	\$31,850	\$64,250	\$4,386.25	+ 25%	\$31,850
	\$64,250	\$97,925	\$12,486.25	+ 28%	\$64,250
	\$97,925	\$174,850	\$21,915.25	+ 33%	\$97,925
	\$174,850	.....	\$47,300.50	+ 35%	\$174,850

- A. Enter Line G from Worksheet # 1: A. \$ \_\_\_\_\_
- B. Estimate your taxable income and enter your estimated federal income tax bracket percentage from the table above: B. \_\_\_\_\_ %
- C. Multiply Line A times Line B times the number of months in the year that you will be contributing to the DCSA. This is your *estimated* tax savings from participation in a dependent care spending account: C. \$ \_\_\_\_\_

*Keep in mind that in addition to possible tax savings, the DCSA also saves you money by providing a County subsidy.*

*The County of Los Angeles cannot give tax advice. Please consult your tax advisor to help you determine whether the tax credit or the dependent care spending account will work best for you.*

## Submitting Your Spending Account Expense Claims

1. When you have a claim under the health care spending account, you will need to complete the *Health Care Spending Account Claim Form*. Fax your form and documentation toll-free to **888-367-3305**, or mail your completed form and documentation to: Spending Account Plan Administrator, P.O. Box 67128, Los Angeles, CA 90067. The Spending Account Plan Administrator will not process your claim unless you include itemized bills or receipts from the provider of the services, and the Explanation of Benefits (EOB) statement you received for each claim you are submitting. Canceled checks will not be accepted.

***An itemized bill or receipt must include all of these items:***

- Name of provider
  - Patient's name
  - Date of service
  - Description of service
  - Charge for service
2. When you have a claim under the dependent care spending account, you will need to complete the *Dependent Care Spending Account Claim Form*. Fax your form and documentation toll-free to **888-367-3305**, or mail your completed form and documentation to: Spending Account Plan Administrator, P.O. Box 67128, Los Angeles, CA 90067. The Spending Account Plan Administrator will not process your claim unless you include itemized bills or receipts as proof of each expense. Canceled checks will not be accepted. If you are not including bills or receipts, you must provide the following information on your reimbursement form:
    - Provider signature
    - Provider address
    - Provider social security number or tax identification number
    - The date of service
    - The amount paid

Submit this information when you send in your claim for reimbursement.

3. Claims will be processed as they are received. You will either receive a check in the mail, or (if you prefer) your reimbursement will be deposited directly into your bank account. To initiate direct deposit of your reimbursements, complete the *Flexible Spending Account Direct Deposit Authorization Form* and fax it toll-free to **888-367-3305**, or mail your completed form to: Spending Account Plan Administrator, P.O. Box 67128, Los Angeles, CA 90067.

4. You can check the balance in your account at any time by going to **[www.buckhrsolutions.com/countyla](http://www.buckhrsolutions.com/countyla)**.
5. Each time you submit a claim, you will receive a statement that shows the amount of your reimbursement and your current account balance.
6. Every three months, you will receive an additional statement to help you monitor your account balance. *Review these statements carefully.*
7. You must submit all of your claims for all eligible expenses incurred while you are a participant during 2008 by June 30, 2009. If you submit a claim that is postmarked after this date, the claim will not be paid, and you will forfeit any money left in your 2008 spending accounts.
8. If you leave County service during 2008, you may continue to submit claims for eligible expenses incurred during 2008 until June 30, 2009. However, these claims must be for eligible expenses incurred during 2008 while you were actively participating in the applicable spending account.
9. To submit a claim you can:
  - Fax your completed form and documentation toll-free to 888-367-3305, or
  - Mail your form and supporting documentation, using the mailing label included in your claims kit, to:  
Spending Account Plan Administrator  
P.O. Box 67128  
Los Angeles, CA 90067
10. If you have any questions about claims administration of the spending accounts, call the Spending Account Plan Administrator (Ceridian) toll-free at **866-300-2303**.

### **Miscellaneous**

The spending account plans may be amended from time to time or terminated at any time by the County. Subject to the approval of the Board of Supervisors, the CEO (or his or her delegate) is authorized to interpret the terms of the spending account plans, and any action will be binding on all participants and their beneficiaries.



