Reimbursement Accounts

A great way to save money for some of life's important expenses and lower your taxes.

What is FlexElect?

The FlexElect program for state employees lets you set aside part of your monthly wages in a "Reimbursement Account" to pay for certain expenses which can increase your take home pay and decrease your taxable income. FlexElect offers two types of reimbursement accounts:

- ✓ **Medical Reimbursement Account**
  The Medical Account covers out-of-pocket health-related expenses for you and your dependents. The minimum monthly deduction is $10. The maximum contribution for the 2020 plan year is $2700/per year.

- ✓ **Dependent Care Account**
  The Dependent Care Account is for paying someone to take care of your dependents so you can work. The minimum monthly deduction is $20. The maximum contribution for the 2020 plan year is $5,000/per year, per household. ($2,500 for a married individual filing a separate tax return).

What's the tax advantage of FlexElect?

The money you put in a FlexElect account is not taxable, nor are the reimbursement payments. That means you can reduce your monthly taxable income by enrolling in a FlexElect Reimbursement account. For dependent care expenses, some people may get a better tax advantage by claiming these expenses as a credit on their tax return. Decide which method works best for you before you enroll in FlexElect. Check with a tax advisor if you have questions.

CAL HR

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Benefits Division

additional information located at

www.calhr.ca.gov

Partial list of expenses covered by a FlexElect Reimbursement Account:

Medical Account

- ✓ Copays for office visits and prescriptions (but not out-of-pocket premiums)
- ✓ Lab fees
- ✓ Orthodontic work
- ✓ Eye glasses and contacts
- ✓ Laser eye surgery
- ✓ Hearing aids & exams
- ✓ Transportation for medical care
- ✓ Smoking-cessation programs

Dependent Care Account:

- ✓ Child care for kids under age 13
- ✓ Elder care for a parent, spouse, or child of any age who lives with you and is unable to care for himself or herself

How does it work?

When you enroll in FlexElect during the fall open enrollment, estimate your total covered expenses for the following year. If you enroll in FlexElect based on a newly eligible event outside of open enrollment, estimate your total covered expenses from the effective date of your enrollment. Use this estimate to decide how much to have deducted from your paycheck each month for your FlexElect account.

If you enroll during open enrollment, these monthly deductions are effective January 1 through December 31, of the upcoming year (called the "plan year").

If you enroll based on a newly eligible event outside of open enrollment these monthly deductions are effective from the date of your enrollment through December 31, in the plan of participation (this is your "plan year").

After you receive a covered service, submit a claim for reimbursement from your account. Claims for services provided during the plan year are due by June 30 of the following year of participation.

Are there any disadvantages?

If you leave funds in your FlexElect account past the June 30, deadline to claim them, you forfeit (lose) the remaining funds.

To avoid that possibility, before you enroll, make sure FlexElect covers the expenses you want to get reimbursed. Then be sure to carefully estimate how much those expenses will total for the plan year. Once deductions start, you can't make changes unless you experience a change in status (permitting event). Applicable permitting events are reflected in the FlexElect Handbook.

How do I estimate my deduction amount?

One way to estimate how much you expect to spend on qualified expenses next year is to add up how much you spent this past year. Add to that any additional planned expenses in the upcoming year.

Keep in mind you can only claim reimbursement for qualified medical and/or dependent care services provided during the "plan year" of your participation, regardless of when you are billed or pay for the services. The State of California has a grace period which allows you to claim reimbursement for qualifying expenses incurred through March 15, of the following year. The grace period provides you with an additional two and a half months to incur qualifying expenses.

Be sure that the expenses you include in your calculations meet the requirements of the program, so you don't find out too late that your expenses won't qualify for reimbursement (which will cause you to forfeit (lose) funds in your account).

To learn which expenses will qualify, read the FlexElect Program Handbook. Further detail is available in IRS Publication 502 (medical expenses) and IRS Publication 503 (dependent care expenses). Links to these publications are available online at www.calhr.ca.gov (under State Employees/Benefits/ Reimbursement Accounts).

Am I eligible for FlexElect?

You're eligible to enroll in a FlexElect account if you have a permanent position that is half-time or greater, or a temporary position with a mandatory right of return to a permanent position that is half-time or greater. For questions about eligibility and enrollment periods, check with your personnel office.

How do I enroll?

Obtain a FlexElect Reimbursement Account enrollment form (STD. 701R) from your personnel office or print it from the Department of Human Resources website at www.calhr.ca.gov (under State Employees/Benefits/ Reimbursement Accounts).

Submit the completed form to your personnel office by the open enrollment deadline or within 60 days from the date you become newly eligible outside of open enrollment.

To continue participating in a FlexElect account each year, you must re-enroll during the fall open enrollment period.

For more information:

Visit www.calhr.ca.gov (under State Employees/Benefits/ Reimbursement Accounts), to obtain a copy of the FlexElect Handbook.