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Reimbursement accounts help save money

By **Jeff Samoray**, OU Web Writer

Oakland University offers two excellent tax saving benefits that can help employees save money while meeting individual and family needs. During open enrollment, Nov. 3-14, employees may elect to contribute to Health Care Reimbursement and Dependent Care Reimbursement accounts. Both are tax-free ways of paying for a wide array of eligible out-of-pocket medical, dental, vision or dependent care expenses.

Participants can elect to contribute as little as \$64 or as much as \$5,400 to each reimbursement account for the upcoming plan year (Jan. 1 to Dec. 31). The contributions are deducted from the employee's paycheck before taxes are calculated and withheld in equal amounts each month. OU also will contribute funds to an employee's account based on dollar amount levels – \$75 for those who contribute \$75-\$99, \$100 for contributions between \$100-\$149, and \$150 for contributions of \$150 or more.

To request a reimbursement, employees must submit receipts for eligible expenses with a completed Request for Reimbursement Form. Requests can be submitted at any time during the plan year for any amount. Requests are reviewed and paid, either by check or direct deposit, if the expense is eligible and meets the minimum reimbursement amount of \$50. Final reimbursement may be less than \$50 based upon the balance in the employee's account.

Eligible expenses are reimbursed in full up to the employee's annual contribution. The reimbursement is also pre-tax. Eligible expenses are based on the date of service, not the date paid. Reimbursements are processed bi-weekly. Federal law governing flexible benefit plans specifies that any money remaining in an account at the end of the plan year will be forfeited.

Savings generated by participating in a reimbursement account can be substantial. For example, an employee with an annual salary of \$26,000 who contributes \$1,000 to a reimbursement account can save \$269 (assuming a 15 percent federal tax bracket).

As a general rule, allowable expenses include medical, dental and vision expenses not reimbursed by insurance plans. Some commonly reimbursed expenses are medical, dental, vision and prescription co-payments and laboratory and X-ray deductibles or co-payments. Other eligible expenses many employees are not aware of include chiropractic care, contact lenses and solutions, dermatologist and doctor fees, immunizations, insulin, physical exams, physical therapy, over-the-counter and prescription drugs, and many others. A complete list of qualifying expenses is given in the **Health Care Reimbursement Account Worksheet** on the **University Human Resources** Web site.

The Dependent Care Reimbursement Account is used to pay for eligible out-of-pocket expenses from providers such as baby sitters, day care centers, licensed facilities and latchkey programs, and relatives who are not tax dependents. Eligible dependents include children under age 13, physically or mentally impaired children age 13 or older, and/or a disabled spouse or dependent parent residing in the employee's home.

Employees may open a reimbursement account for 2004 during open enrollment. Appropriate forms will be included with open enrollment materials to be mailed to OU employees. For more information, see the **Reimbursement Account Newsletter** on the **University Human Resources** Web site. Those who have further questions regarding expenses or how to enroll may contact Ceridian Corporation, the accounts administrator, at (800) 858-4231.

SUMMARY

Oakland University offers two excellent tax saving benefits that can help employees save money while meeting individual and family needs. During open enrollment, Nov. 3-14, employees may elect to contribute to Health Care Reimbursement and Dependent Care Reimbursement accounts. Both are tax-free ways of paying for a wide array of eligible out-of-pocket medical, dental, vision or dependent care expenses.

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