

The CIP Group
799 Cambridge Street
Cambridge, MA 02141

P: 617-354-0866
F: 617-354-1137
www.askCIP.com



The CIP Group

Flexible Spending Plans Summary

Prepared for the employees of:

Fisheye Software

January 1, 2015

Cafeteria Plans*

How does a Cafeteria Plan differ from usual employee benefit packages?

Using a Cafeteria Plan employees pay for the benefits they select before taxes are calculated on their wages. In other words, they get to use 100% of those designated dollars for benefits rather than using after tax wages. With a minimum Federal Income tax rate of 15% and FICA of 7.65%, the savings are \$22.65 for every \$100 used for benefits. Most states exempt Cafeteria Plan contributions from state income tax as well, leading to even more savings.

What benefits can be included in a Cafeteria Plan?

There are three main categories of benefits that may be included in a Cafeteria Plan – insurance premiums; medical flexible spending plans (MFS) and dependent care flexible spending plans (DCFS). Qualifying types of insurance premiums include group medical insurance (including Major Medical, HMO, PPO, POS, etc.); group dental insurance and group term life insurance up to \$50,000. The MFS and DCFS options allow an employee to set aside a portion of their pay to reimburse themselves for qualified expenses they incur.

Self-employed individuals as described in Code Section 401(c), partners who draw earned income as described in Code Section 1402 (a), and shareholder employees of a Subchapter S corporation who directly or indirectly own more than 2 percent of the company's outstanding stock on any day during the taxable plan year of the S corporation [IRS § 1372 (a)] are not considered common-law employees for purposes of participating in employee fringe benefit plans. They are therefore ineligible to participate in a Section 125 plan. By rules of attribution (Code Section 318) the spouse, child, grandchild, and parent of a shareholder will also be ineligible to participate in a Section 125 Plan. A partnership, a sole proprietor, or as Subchapter S corporation may, however, offer a cafeteria plan to its eligible employees.¹

¹ Robyn C. Morris, *Flexible Benefits Answer Book, Four Edition* (Aspen Publishers, 2003) 2-8

The MFS plan can be used to pay for qualified expenses that are not covered under your medical insurance program, such as deductibles, co-payments and other medical, dental or vision related expenses not paid for by your insurance.

The DCFS plan is for any dependent (child or any other relative) for whom you take a tax deduction on your tax form. Dependents eligible for this program include children under the age of 13, and physically or mentally incapacitated individuals who are in need of supervised care.

*** This summary is provided as a guideline only. Please refer to your company's Summary Plan Description for more detailed information.**

Plan Year

Each plan year, you will have an opportunity to enroll in the Flexible Spending Plans. The plan year maximum for the Medical Flexible Spending Plan is \$2550.00. Up to \$500.00 of unused contributions may be rolled over to the 2016 plan year. If you choose not participate in the 2016 plan year, you may still submit claims against the amount that has been rolled over.

Medical Flexible Spending Plan (MFS)

A medical flexible spending plan allows eligible employees to voluntarily set aside *pre-tax* dollars into special accounts for a variety of critical medical, dental or vision needs that occur during the plan year. There is a sample listing of qualified expenses for the medical flexible spending plan on the following page.

You can contribute up to an amount designated by your employer tax free in the Medical Flexible Spending Plan. Once you begin contributing, you may not change or discontinue your contributions during the plan year unless you have a qualifying event or change in family status. You should continue to estimate your contribution carefully as only \$500.00 of unused funds are eligible to be rolled over to the following plan year (the balance will be returned to your employer). If you terminate participation in the plan, due to a qualifying event or termination of employment, you can only be reimbursed for expenses incurred prior to your termination in the plan.

You may submit your claim along with a **claim form** and proper documentation, as explained on the claim form, to: Comprehensive Benefit Services, Inc., 799 Cambridge Street, Cambridge, MA 02141. Claims will be processed and reimbursed on a weekly basis. Claims received by Friday will be processed on the following Monday/Tuesday. *If a claim is pending additional information because insufficient information was provided to approve the claim, participants will receive a “claim pending letter.” If a claim is denied because it is ineligible, participants will receive a “claim denied letter.”* **All claims are confidential.** If you have not used our on-line claim processing system, please call or email (please refer to last page for contact information) for instructions.

Sample of eligible expenses for the Medical Flexible Spending Plan (a more extensive list is attached to this summary)*

- ◇ Acupuncture
- ◇ Alcoholism Treatment
- ◇ Ambulance Service
- ◇ Anesthesiologist's Fees
- ◇ Artificial Limbs
- ◇ Birth Control Prescriptions
- ◇ Braces
- ◇ Blind, services for, including
 - Braille Books and Magazines in excess of regular editions
 - Guide for Blind Person, cost of seeing eye dog, cost of training and maintaining
- ◇ Chiropractic Services
- ◇ Contact Lenses and Cleaning Solution
- ◇ Cosmetic Surgery or Procedures, that treat a deformity caused by an accident or trauma or an abnormality at birth
- ◇ Crutches, cost of purchasing or renting
- ◇ Deaf, services for, including:
 - Hearing Trained Cat or other Animal to assist deaf person
 - Household Visual Alert System for deaf person
 - Note-Taker, cost of for a deaf child in school
- ◇ Dental Care
- ◇ Dentures
- ◇ Dermatologist's Fee
- ◇ Diet
- ◇ Drug Dependency Treatment
- ◇ Eyeglasses (Prescription)
- ◇ Fluoridation of Home Water
 - Supply, cost of, when advised by dentist
- ◇ Gynecologist's Fees
- ◇ Handicapped Services, including:
 - Specifically Equipping Automobile, excess cost over the cost of ordinary automobile
 - Special Equipment for handicapped person
- ◇ Hearing Aids, including batteries
- ◇ Hospital Services
- ◇ Mattresses (see special mattresses)
- ◇ Nursing Services for care of a specific medical ailment
- ◇ Obstetrical Expenses
- ◇ Optometrist's or Ophthalmologist's Fees
- ◇ Organ Donation, expenses or services connected with
- ◇ Orthodontic Services
- ◇ Orthopedic Shoes, excess cost over the cost of ordinary shoes
- ◇ Osteopathic Services
- ◇ Over-the-counter meds: (i.e. pain relievers (aspirin, ibuprofen, etc.), cold meds (cough drops, cough syrups, sinus meds, etc.), allergy meds (nasal sprays, sinus medicines, etc.), antacids and other meds to relieve stomach distress)-*ONLY if directed by physician (letter or prescription is required)*
- ◇ Oxygen Equipment and Oxygen used to relieve breathing problems
- ◇ Physical Therapy
- ◇ Physicals, both routine and preventative, at school and work
- ◇ Physicians Fees
- ◇ Prescription Drugs or Insulin
- ◇ Psychotherapist and Psychologist Services
- ◇ Sexual Problems, Psychiatric Therapy for
- ◇ Special Diet, when medically subscribed and only to the extent that costs exceed that of a normal diet
- ◇ Special Mattress prescribed to alleviate arthritis
- ◇ Speech Therapy
- ◇ Sterilization, Legal
- ◇ Surgery
- ◇ Surgical and Diagnostic Services
- ◇ Transportation Expenses for medical or dental care
- ◇ Vaccinations
- ◇ Vision, including Laser Surgery
- ◇ Weight Loss Programs (with letter from physician indicating medical necessity)
- ◇ Wheelchair Operation and Maint
- ◇ Wigs when necessary for mental health or loss of hair because of disease
- ◇ X-ray treatments

- ◇ X-rays

Sample of ineligible expenses for the Medical Flexible Spending Plan*

- ◇ Controlled Substances
- ◇ Cosmetic Surgery
- ◇ Dancing Lessons
- ◇ Electrolysis or Hair Removal
- ◇ Health Club Dues
- ◇ Insurance Premiums
- ◇ Over-the-counter medications / products (i.e. dietary supplements (**vitamins**), toiletries (toothpaste, shaving cream, etc.), cosmetics (face creams, deodorants, lotions, etc.) and sundry items)

*This is a partial listing of eligible and ineligible expenses. In addition, you may refer to Internal Revenue Service Publication 502: Medical and Dental expenses. Publication 502 is to be used as a guide; all items listed are not reimbursable expenses.

Dependent Care Flexible Spending Plan (DCFS)

A dependent care flexible spending plan allows eligible employees to voluntarily set aside *pre-tax* dollars for a dependent child or any other family member who cannot care for themselves. For employees who care for young children or aging parents, a DCFS plan may be beneficial.

You may contribute to the DCFS plan if you have eligible dependent care expenses. If you are married, you may contribute to this account if your spouse is employed outside the home, is a full-time student at least five months of the year or is disabled.

Generally, you can contribute up to \$5,000 in pre-tax dollars to your DCFS plan each year. In some cases, however, the IRS limits the amount you can deposit, as shown below. Dependent care contributions are reported on your W-2, according to IRS Guidelines.

When you file your income tax return, you are required to supply the name, address, and social security number of the individual or organization providing care using IRS form 2441. If you cannot supply this information, this benefit will not work for you.

Example:

Your maximum annual contribution is:

You or your spouse earn less than \$5,000	The amount the lower paid spouse earns
Your spouse also participates in a similar DCFS plan	\$5,000 combined
You file separate federal income tax returns	\$2,500
Your spouse is a full-time student for at least five months of the year or is disabled	Please refer to IRS Publication 503

You can contribute up to an amount designated by your employer tax free in the DCFS plan. Once you begin contributing, you may not change or discontinue your contributions during the year unless you have a qualifying event or change in family status. You should estimate your contribution carefully as any unused funds will be forfeited at the end of the plan year. If

you discontinue contributions to your account, due to a qualifying event, you can only be reimbursed for expenses incurred prior to your termination in the plan. In addition, if you do not incur and submit sufficient claims for reimbursement, the balance in your dependent care flexible spending account will be returned to your employer.

The following would be considered qualifying dependent care expenses:

- Payment to an individual who cares for child in *employee's* home (may not be a child under the age of 19 who is a dependent of the employee or employee's spouse)
- Payment to an individual who provides care at *individual's* home
- Payment for child care expenses provided at a day care center that complies with all state and local regulations and provides care for 7 or more individuals (not including those who may reside there)
- Payment for after-school programs
- Payment for nursery school expenses
- Payment for day camp expenses

You may submit your claim along with a **claim form** and proper documentation, as explained on the claim form, to: Comprehensive Benefit Services, Inc., 799 Cambridge Street, Cambridge, MA 02141. Claims will be processed and reimbursed on a weekly basis. Claims received by Friday will be processed on the following Monday/Tuesday. *If a claim is pending additional information because insufficient information was provided to approve the claim, participants will receive a "claim pending letter."* *If a claim is denied because it is ineligible, participants will receive a "claim denied letter."* **All claims are confidential.** If you have not used our on-line claim processing system, please call or email (please refer to last page for contact information) for instructions.

Claims may be submitted by mail, fax or email:

Mail:
Danielle Harrington
Comprehensive Benefit Services, Inc.
799 Cambridge Street
Cambridge, MA 02141

Fax:
Danielle Harrington
617-354-1137

Email: dharrington@askcip.com

Please note your claim cannot be processed without the submission of proper documentation.

Should you have any questions or comments, please don't hesitate to contact Danielle Harrington at 617-354-0866 ext. 13 or dharrington@askcip.com.