Flexible Spending Accounts

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MPTN offers the opportunity to contribute to two kinds of Flexible Spending Accounts (FSAs):

- Health Care Flexible Spending Account
- Dependent Care Flexible Spending Account

These accounts provide the ability to set aside before-tax dollars to cover unreimbursed medical and dependent care expenses. Using before-tax dollars to pay for these expenses can save you money.

This section explains MPTN's FSA benefits and includes participation information, such as eligibility and enrolling.

Participating in FSAs

The FSAs described in this Plan Document and SPD are provided for:

- the Mashantucket Pequot Tribal Government, and all governmental entities, including:
    - the Mashantucket Pequot Gaming Enterprise, doing business as Foxwoods Resort Casino (Foxwoods).
    - the Mashantucket Pequot Museum and Research Center, and
    - PRxN/Pequot Plus Health Benefit Services.

FSA Participation Information Only

The information about eligibility and changing your coverage in this section applies only for FSA benefits. For eligibility and participation information on other MPTN benefits, see the separate descriptions for each benefit.

For more information about the MPTN divisions that participate in the Mashantucket Pequot Team Member Benefit Plans, see the *Rules and Regulations* section.

This section explains which team members are eligible to participate in the flexible spending accounts and discusses some aspects of your employment that can affect your participation.

The provisions in this section apply only to the following benefits:

- Health Care Flexible Spending Account
- Dependent Care Flexible Spending Account

Eligibility and Enrolling

You are eligible to participate in the FSAs if:

- you are employed by an MPTN division that participates in the applicable plan.
- you are a regular full-time team member actively at work.
- you are a regular part-time team member actively at work.
- you have been employed continuously for 60 days.

If your regularly scheduled work week or your average hours worked per week changes, your eligibility to participate in MPTN benefits may change.

The plan does not include coverage for temporary or seasonal team members, nor does it cover team members who work less than the required minimum hours per week.

If you are not eligible for benefits but later change to an eligible status — for example, if you change from a seasonal to a full-time team member — you must be employed continuously for 60 days in the new status before you become eligible for benefits. If you enroll for benefits, in most cases coverage begins on the first of the month following the day you complete 60 days of service in the new status.

Enrolling

Each year you must formally enroll to participate in the MPTN FSAs. Even if you are enrolled one year, you must re-enroll to continue your participation the next year.

When First Eligible

If you want to enroll in an FSA, you will need to complete the enrollment form, and return it to Human Resources before your 90th day of employment. (Generally, you become eligible after you have been employed by MPTN for 60 days.) If you are absent from work due to illness or injury on the date your participation would normally begin, your participation will begin on the date you return to active employment.

In most cases, if you do not meet this 60-day deadline, you will not have an opportunity to enroll to participate in an FSA until the next annual enrollment period, unless:

- you have a qualified change in status, as explained in “After Qualified Changes in Status” below, or
- you decline participation because you have other employer-provided FSA coverage and you lose that other coverage.

During Annual Enrollment

Each year, MPTN holds an annual enrollment period. During this period, you have the opportunity to make FSA elections for the coming year.

After Qualified Changes in Status

The FSA enrollment choices you make when you first become eligible or during annual enrollment are usually in effect for the entire year for which you enroll.

However, because your need for benefits typically changes when you experience certain family events — such as getting married or having a baby — the FSAs, in

Examples of Qualified Change in Status

- a change in your legal marital status, such as your marriage, divorce, or legal separation.
- a change in the number of your eligible dependents, including:
    - the birth or adoption of a child, or
    - the death of your spouse or child.
- a change in your spouse’s employment status (such as starting a new job, terminating employment, etc.).
- a change in eligibility for coverage (for example, a dependent child reaches the age 13 eligibility limit for dependent care expenses.
- your eligible dependent’s loss of coverage from another source.

keeping with federal rules, allow you to make changes in some situations, as long as you make your change within 30 days after the event.

Qualified Changes in Status

Various events may qualify you to enroll in or make certain changes to your FSA participation. Generally, the events must affect:

- your family member's eligibility to participate in an FSA under an employer plan (including plans of other employers),
- expense eligibility for you or your eligible family members, or
- the cost of dependent care.

How to Make Changes

You have 30 days from the date of a qualified change in status to change your FSA participation. Provided you meet this 30-day deadline, the change in participation will generally be effective on the first of the month following thirty days from the qualified event. For example, if you get married on February 4 and you submit a change to increase your contributions to your health care FSA within 30 days of your marriage, your increased contributions will begin on the first day of April.

To make a change, you must notify Human Resources.

Keep in mind that any changes you make must be consistent with the change in your status.

After Losing Other Coverage

Some eligible team members may choose not to enroll in an MPTN FSA because they have FSAs available from another source, such as from a spouse's employer's plan.

If you limit your participation in either of the MPTN FSAs because your expenses are covered under another employer's FSA, and if that other FSA participation ends, you may change your MPTN FSA elections at any time during the 30-day period after your other FSA participation ends. If you do, your new MPTN FSA elections take effect on the first of the month following the 30-day period.

If you do not enroll within this 30-day period, you must wait until the next annual enrollment to participate in an MPTN FSA.

Tax Savings

Your FSA contributions are automatically deducted from your pay and redirected into your account in equal amounts through the year.

Contributions are deducted before federal, Social Security and, in most locations, state and local income taxes are withheld. In addition, your contributions are not reported as income on your federal Form W-2 statement at the end of the year. As a result, an FSA enables you to lower your taxable income and pay less in taxes.

How FSAs Work

The Health Care Flexible Spending Account and the Dependent Care Flexible Spending Account allow you to set aside money from your paycheck on a before-tax basis to pay for eligible health care and dependent care expenses incurred by you and/or your eligible family members. By setting aside money on a before-tax basis, you lower your taxable income. This can decrease your tax withholding and may increase your take-home pay.

After incurring eligible expenses, you submit a claim that is reimbursed from your account(s).

- Your Health Care Flexible Spending Account claim for eligible expenses is paid in full — up to the amount of your annual health care contribution — regardless of how much you have in your account at the time you submit your claim.
- Your Dependent Care Flexible Spending Account claim for eligible expenses is paid up to your account balance at the time you submit the claim. If you ask to be reimbursed for an expense that is greater than the amount in your account at the time, reimbursement for the additional amount is deferred until you have enough money in your account to cover it during that year.

Tax Advantage of a Health Care Flexible Spending Account

Suppose Carlos and Maria, a married couple with two teenagers, have a combined annual income of $40,000. Carlos expects to use his $1,500 Health Care Flexible Spending Account contribution to pay for medical deductibles and coinsurance, and his share of vision and dental expenses. Carlos and Maria file a joint federal income tax return and take a standard deduction and four personal exemptions.

Here is how they save on federal taxes using a Health Care Flexible Spending Account:

	Without an FSA	With an FSA
Combined annual income	$40,000	$40,000
Before-tax Health Care Flexible Spending Account contribution	0	$1,500
Adjusted gross income	$40,000	$38,500
Estimated federal income tax	$1,970	$1,745
Estimated Social Security taxes (OASDI and Medicare)	$3,060	$2,945
Eligible health care expense	$1,500	$1,500
Health Care Flexible Spending Account claim reimbursement	+ 0	+$1,500
Net spendable income	$33,470	$33,810
Annual savings	$0	$340

The above example is an estimate and is for illustrative purposes only. The actual savings that a Health Care Flexible Spending Account can provide depends on a number of factors, including your covered annual earnings, tax bracket, the number of personal exemptions you claim, and the tax rates in effect in the year you use an FSA.

Tax Advantage of a Dependent Care Flexible Spending Account

Suppose Marilyn works for MPTN, her husband Ed works for another employer, and they have a combined annual income of $68,000. Marilyn contributes $5,000 to MPTN's Dependent Care Flexible Spending Account to help pay the $400 weekly fee for their two preschoolers to attend a day care center. (According to federal tax regulations, the maximum amount a team member can contribute to a Dependent Care Flexible Spending Account for a married couple filing jointly is $5,000 or $2,500 if married and filing separate tax returns.) Since Marilyn has contributed to the Dependent Care Flexible Spending Account at the $5,000 maximum contribution level, Ed cannot contribute to his employer's dependent care flexible spending account program.

Here is how they save on federal taxes using a Dependent Care Flexible Spending Account:

	Without an FSA	With an FSA
Combined annual income	$68,000	$68,000
Before-tax Dependent Care Flexible Spending Account contribution	0	$5,000
Adjusted gross income	$68,000	$63,000
Estimated federal income tax	$6,170	$5,420
Estimated Social Security taxes (OASDI and Medicare)	$5,202	$4,819
Eligible dependent care expense	$20,800	$20,800
Dependent Care Flexible Spending Account claim reimbursement	+ 0	$5,000
Net spendable income	$35,828	$36,961

Annual savings	$0	$1,133

This example was calculated using 2004 federal income tax rates and is for illustrative purposes only. The actual savings that a Dependent Care Flexible Spending Account can provide depends on a number of factors, including your covered annual earnings, tax bracket, the number of personal exemptions you claim, and the tax rates in effect in the year you use an FSA.

Estimating Expenses

Be sure to estimate your health care and dependent care expenses carefully. First, review the eligible health care and dependent care expenses you typically have during a year. Then, carefully estimate the dollar amount that you expect to incur over the year for those expenses. Use that as a guide to determine how much you want to direct from your pay into a Health Care and/or Dependent Care Flexible Spending Account.

Remember that you lose any money set aside in an account that you do not use in that year. See “Forfeiting Unused Balances” below for more information.

Impact on Other Benefits

Even though you reduce your taxable income by participating in an FSA, your contributions do not reduce your pay with regard to any of your other MPTN benefits, such as disability, life insurance and 401(k) contributions. Those benefits are based on your gross earnings before any FSA payroll deductions.

Before-tax contributions to an FSA will, however, reduce your income for Social Security purposes. As a result, if you earn less than the Social Security wage base which will change from year to year, your Social Security taxes will be lower, and this may reduce the benefit you would receive from Social Security at retirement.

The effect on your Social Security benefits depends on a number of factors, such as your age, your earnings before contributing to an FSA, and future pay levels. In many cases, the current income tax savings gained from contributing to an FSA outweigh the increase in Social Security benefits that would be gained by not contributing to one.

Forfeiting Unused Balances

Keep in mind that in exchange for the tax savings you receive when you participate in an FSA, the Internal Revenue Service (IRS) requires that you forfeit any contributions remaining in your account after you have filed all your claims for the year. This means that if you don’t use the money in your account, you lose it — you cannot receive a refund, or use the balance to fund an FSA for the following year. In addition, you cannot use the balance in your Health Care Flexible Spending Account to pay for expenses eligible for reimbursement under a Dependent Care Flexible Spending Account, and vice versa.

Health Care Flexible Spending Account

The Health Care Flexible Spending Account provides an opportunity to reduce your taxable income and lower your costs for certain health care expenses, and increases your spendable income. You can set aside money from your salary before taxes are calculated and then use those funds to reimburse yourself for eligible health care expenses incurred by you and your eligible family members.

If you are a highly compensated team member …

… your contributions to a Health Care Flexible Spending Account may be limited, depending on the participation of lower-paid team members. You will be notified if you are affected by these limits.

How Much You May Contribute

You can set aside up to $2,000 a year in the Health Care Flexible Spending Account.

Your contribution is automatically deducted from your pay on a before-tax basis and redirected into your account in equal amounts throughout the year. If you are a highly tipped team member, you must have a positive paycheck (a paycheck that still has a positive balance) to make contributions to your Health Care Flexible Spending Account.

Note that if you are defined by the IRS as being "highly compensated," your contributions to a Health Care Flexible Spending Account may be limited, depending on the participation of lower-paid team members. If team member participation doesn't reach certain benchmarks, your contributions may be restricted. You will be notified if you are affected by these limits.

Using Your Health Care Flexible Spending Account

You can use your Health Care Flexible Spending Account to pay eligible health care expenses for:

- yourself,
- persons you claim as dependents on your federal income tax return (whether or not they are eligible for, or covered by, any of the MPTN health care plans), and
- dependent children who do not live with you, if you are legally required to pay their health care expenses.

You may not use a Health Care Flexible Spending Account for reimbursing health care expenses incurred by a former spouse.

Eligible Expenses

With one exception, any health care expenses that would be deductible on your federal income tax return are eligible for Health Care Flexible Spending Account reimbursement, as long as you do not take a tax deduction for the same expenses and you are not reimbursed for them in any other way. The exception is that expenses for long-term care are not eligible for FSA reimbursement, even though long-term care costs are tax deductible.

This Plan Document and SPD supersedes all earlier descriptions of the plans, as of January 1, 2025.

Because the benefits and other programs described in this Plan Document and SPD may change, MPTN will provide updated information as necessary and as required by tribal, federal or other applicable law.

Examples of eligible health care expenses include:

- any health care deductibles, coinsurance and copayments you or your eligible family members incur
- health care expenses for persons you claim as dependents on your federal income tax return (whether or not they are covered by, or eligible for, any of the MPTN health care plans)
- health care expenses for dependent children who do not live with you, if you are legally required to pay their health care expenses, and
- other expenses not currently covered by the MPTN health care plans, such as:
  - hospital charges for a private room (above the average charge for a semiprivate room)
  - vision care expenses beyond the vision care plan allowance.

Additional health care expenses that may be eligible for reimbursement from a Health Care Flexible Spending Account include the following:

- Acupuncture
- Abdominal supports*
- Air conditioner where necessary to relieve allergies or breathing difficulties*
- Artificial limbs
- Back supports*
- Birth control pills or other doctor-prescribed birth control items
- Braille books (that is, the excess cost of Braille books over the cost of regular editions)
- Christian Science practitioner
- Contact lenses and lens replacement insurance
- Cosmetic surgery (to improve a deformity associated with a congenital abnormality, accident- or trauma-induced personal injury, or disfiguring disease)
- Elastic hosiery for medical purposes*
- Fluoridation unit in your home*
- Guide dogs
- Hearing expenses, such as hearing exams, hearing aids and batteries
- Home modifications to accommodate a person with a disability*
- Nursing services
- Orthopedic shoes and arches
- Remedial reading instruction for a dyslexic child
- Sacroiliac belts*
- Sanitariums and similar institutions
- Special equipment for deaf persons (TV adapter/telephone-teletype)
- Special mattresses and plywood boards for relieving spinal arthritis
- Special schools for handicapped children
- Sterilization procedures for birth control
- Smoking cessation program
- Trusses
- Weight loss programs prescribed by a doctor for treating hypertension and/or obesity

* These expenses require the completion of a medical necessity form.

Ineligible Expenses

Some expenses are not eligible for reimbursement from your Health Care Flexible Spending Account, such as the following:

- Antiseptic diaper services
- Athletic club services for physical fitness
- Bottled water bought to avoid drinking fluoridated tap water
- Contributions to a medical plan offered by your spouse or partner's employer
- Cosmetic surgery to improve personal appearance
- Deductions from your wages for sickness insurance under state law
- Domestic help, even if recommended by a doctor
- Funerals, cremations, burials, cemetery plots, monuments and/or mausoleums
- Health programs offered by resort hotels, health clubs and gyms
- Hair transplant operations

Expense Information

For more information about eligible expenses, please consult IRS Publication 502, Medical and Dental Expenses, under the headings "What Medical Expenses Are Deductible?" and "What Medical Expenses Are Not Deductible?" for details regarding what are and are not eligible expenses.

But use caution when referring to Publication 502, because it is meant only to help taxpayers determine their tax deductions, not to describe the expenses that are reimbursable under a Health Care Flexible Spending Account. For example, the publication states that you may get a deduction for expenses paid during the year.

For purposes of your Health Care Flexible Spending Account, you may be reimbursed for expenses you incur during the year — no matter when you pay for them. (Expenses are incurred on the date you receive the health care services, that is, the date you see the doctor or other health care provider.)

As another example, health insurance premiums, long-term care contracts and long-term care services are listed as deductible expenses in the publication; however, they generally are not reimbursable from your Health Care Flexible Spending Account.

- Illegal operations and drugs
- Long-term care expenses and insurance premiums
- Marriage counseling
- Maternity clothes
- Premiums for other coverage
- Before-tax contributions for health care coverage
- Scientology fees
- Weight loss programs undertaken for general health, not for a specific ailment (such as hypertension or obesity)

Filing a Health Care Flexible Spending Account Claim

You need to file a claim to be reimbursed through your Health Care Flexible Spending Account for eligible expenses. You must include proof of incurred expense — an itemized receipt, itemized bill, or Explanation of Benefits (EOB) — with your claim. (An EOB is a statement from your health care plan that shows the amount of your expenses, the amount covered by insurance, and the amount you paid.) You will not be reimbursed without proper documentation.

With each reimbursement, you will receive a statement showing your balance and any payments made from your account.

The plan reimburses in full — up to the amount of your annual Health Care Flexible Spending Account election — regardless of how much you have in your account at the time of your claim. You have until March 31 of the following year to submit claims for eligible expenses incurred through December 31. You may be reimbursed only for health care expenses incurred while you are contributing to the Health Care Flexible Spending Account.

On October 31, 2013, the Internal Revenue Service (IRS) issued Notice 2013-71 which modifies the longstanding “use-or-lose” rule for Health FSAs. Employees participating in the Health FSAs will be allowed to carry over up to $640.00 of unused amounts remaining at year-end into the following year.

MPTN has adopted this ruling and allows Health FSA participants to carry over up to $640.00 into the following year.

Claims must be submitted to the Health Care Flexible Spending Account administrator at the following address:

Claims Administrator
Pequot Plus Health Benefits Services
P.O. Box 3620
Mashantucket, Connecticut 06338

Phone: 1-888-779-6872
Fax: 860-396-6403

The administrator reviews your claim and reimburses all eligible expenses. If you submit an ineligible claim you will be notified.

If you are not satisfied with the outcome of a benefits claim you have submitted, you can ask that the claim be reviewed. See “Claims Review and Appeals Procedures” in the *Rules and Regulations* section for information.

Leaving MPTN

If you leave MPTN with an outstanding Health Care Flexible Spending Account balance, you can submit claims for eligible expenses incurred through your last day of work. If you want to continue to submit claims for expenses after your employment ends (until March 31st of the following year), you must continue to make FSA contributions on an after-tax basis under MPTN COBRA. For more information, see the *COBRA Health Care Coverage* section.

For More Information …

…

Publication 502 is available from your nearest IRS office or by calling the IRS at 1-800-829-3676. You also may obtain a copy online by accessing **http://www.irs.gov.**

Tax Deductions for Unreimbursed Health Care Expenses

For each eligible expense, you can either use a Health Care Flexible Spending Account or you can deduct the expense on your income tax return — but not both.

Keep in mind that, for your income tax return, you can only deduct health care expenses that exceed a certain percentage of your income. Generally, this means only people with very high medical expenses are able to take this deduction.

When Contributions End

Your before-tax contributions to a Health Care Flexible Spending Account stop whenever the first of the following events occurs:

- The plan year in which you have elected to participate ends,
- You end your employment (whether voluntarily or involuntarily),
- You take a leave of absence, including a leave under the MPTN leave policy that applies to your division (For more information about FSA contributions during an MPTN Family Medical Leave (FML), see “Continuing Contributions — FML” on the following page),
- You no longer meet the eligibility requirements to participate (for example, if your status changes so you are no longer eligible),
- MPTN discontinues the plan, or
- You die.

If your participation in the Health Care Flexible Spending Account ends, you will not necessarily forfeit your account balance. You may be eligible to continue making contributions to the Health Care Flexible Spending Account on an after-tax basis through the end of the year under the provisions of MPTN COBRA. If you have a significant balance in your account, continuing to make contributions can give you time to incur eligible expenses and file claims to be reimbursed, rather than forfeiting the account balance. See “Continuing Contributions – MPTN COBRA,” below, for more information.

Continuing Contributions — MPTN Family Medical Leave

Under the MPTN Family Medical Leave (FML) Policy, you may be able to continue participating in the Health Care Flexible Spending Account when your participation would otherwise end. The FML offers two options if you are contributing to a Health Care Flexible Spending Account when you begin an unpaid FML leave. You may either:

- continue your participation (by making contributions) on an after-tax basis, or
- suspend participation (that is, make no contributions) while you are on leave, but resume participation when you return. If you suspend participation:
  - you are not eligible to be reimbursed for expenses incurred during the suspension, and
  - your annual contribution election will be pro-rated to reflect the period of your leave.

If you continue to participate in the Health Care Flexible Spending Account while you are on an MPTN leave and do not return to work at the end of the leave, you may continue participation on an after-tax basis through MPTN COBRA, as described in “Continuing Contributions – MPTN COBRA” below.

Continuing Contributions – MPTN COBRA

If you become eligible to continue your health care benefits under MPTN COBRA, you may continue your contributions to your Health Care Flexible Spending Account, but only on an after-tax basis, and only until the end of the plan year in which you become eligible for MPTN COBRA.

COBRA participants are not eligible for the $550.00 carryover into the following year.

Even though you would not realize the tax advantages of before-tax contributions, this may be a good strategy for you if your balance is significantly higher than the eligible expenses you have already incurred. By continuing to contribute on an after-tax basis through MPTN COBRA, you could give yourself more time to incur eligible health care expenses, such as purchasing a new pair of eyeglasses — so that you could use up the before-tax balance you had already contributed. (Remember, you may file claims only for eligible expenses incurred while contributing.)

For information on the terms and conditions of MPTN COBRA, see the *COBRA Health Care Coverage* section.

Dependent Care Flexible Spending Account

The Dependent Care Flexible Spending Account offers the opportunity to reduce your taxable income and lower your costs for certain dependent care expenses, and increase your spendable income. You can set aside money from your salary before taxes are calculated and then use those funds to reimburse yourself for eligible dependent care expenses.

If you are employed by Foxwoods Resort Casino, MPTN also provides access to the Childcare Reimbursement Program in order to assist you with your childcare expenses. For more information, see “Childcare Reimbursement Program,” in the *Other Benefits for Foxwoods Team Members* section.

If you are a highly compensated team member …

… your contributions to the Dependent Care Flexible Spending Account may be limited, depending on the participation of lower-paid team members. You will be notified if you are affected by these limits.

How Much You May Contribute

You can set aside up to $5,000 per year in the Dependent Care Flexible Spending Account ($2,500 if you are married and filing separate tax returns). Contributions are deducted directly from your pay in equal amounts. However, if you miss a paycheck, your weekly contribution amount will be automatically adjusted so that your annual election is met.

If you are a highly tipped team member, you must have a positive paycheck (a paycheck that still has a positive balance) to be able to make contributions to a Dependent Care Flexible Spending Account. If you have a negative paycheck, the plan will track the contributions owed, and their total value will be deducted from the next future positive paycheck(s) until your outstanding contribution balance is zero.

Your contribution is automatically deducted from your pay on a before-tax basis and redirected into your account in equal amounts throughout the year.

Note that if you are defined by the IRS as being “highly compensated,” your contributions to the Dependent Care Flexible Spending Account may be limited, depending on the participation of lower-paid team members. If team member participation doesn’t reach certain benchmarks, your contributions may be restricted. You will be notified if you are affected by these limits.

If you are employed by Foxwoods Resort Casino and participate in the Childcare Reimbursement Program, the combination of dollars that you and MPTN contribute to your Dependent Care Flexible Spending Account cannot exceed $5,000 per year. For more information, see “Childcare Reimbursement Program,” in the *Other Benefits for Foxwoods Team Members* section.

If You Are Married

The IRS places certain limits on how much married couples can contribute to Dependent Care Flexible Spending Accounts, as follows:

- If you and your spouse file separate income tax returns, you can contribute up to $2,500 per year to the MPTN Dependent Care Flexible Spending Account. If your spouse’s employer has a Dependent Care Flexible Spending Account program, your spouse also can contribute up to $2,500 to that program, subject to any other limits that apply to the other program.
- If you and your spouse file a joint tax return, the combined contributions the two of you make to Dependent Care Flexible Spending Accounts cannot be more than $5,000 per full calendar year. For example, if your spouse contributes $2,000 to his or her employer’s dependent care flexible spending account, you can contribute up to $3,000 to the MPTN Dependent Care Flexible Spending Account.
- The combined contributions that you and your spouse make to Dependent Care Flexible Spending Accounts cannot be greater than your or your spouse’s earned income, whichever is lower.

Divorced or Separated?

Keep in mind that you can use a Dependent Care Flexible Spending Account to be reimbursed for child care expenses only if you have custody of the child for a longer part of the year than the other parent.

- If your spouse does not work, you can only use an FSA to be reimbursed for dependent care expenses if your spouse is disabled or is a full-time student for at least five months during the year. To determine your spouse's earned income in either of these situations, the IRS assumes that your spouse has a monthly income of $250 if you have one dependent or $500 if you have two or more dependents.

The Federal Tax Credit

The IRS permits you to claim a tax credit for dependent care expenses. The federal tax credit allows you to deduct a percentage of eligible expenses from your taxes — currently, expenses may not exceed $3,000 for one dependent and $6,000 for two or more dependents.

However, you cannot claim a tax credit for dependent care expenses that also are reimbursed through your Dependent Care Flexible Spending Account. In addition, the reimbursements you receive from your Dependent Care Flexible Spending Account reduce — dollar for dollar — the expenses that can be applied toward the federal tax credit. Therefore, carefully evaluate which tax-savings approach is better suited to your situation.

Because the current tax credit for two or more dependents ($6,000) is higher than the maximum tax-free reimbursement through the Dependent Care FSA ($5,000), you may be able to use qualified expenses over the FSA threshold toward the federal tax credit.

Dependent Care Flexible Spending Account vs. Federal Tax Credit

Whether you should use the Dependent Care Flexible Spending Account or the federal tax credit for dependent care expenses depends on your individual situation and other factors such as your income, marital and filing status, the amount of eligible expenses you incur, and the number of your eligible dependents. You may want to check with a tax advisor before making your final decision.

What You Can Pay For Using Your Dependent Care Flexible Spending Account

The Dependent Care Flexible Spending Account allows you to be reimbursed for expenses related to the care of eligible dependents. For the Dependent Care Flexible Spending Account, the term "eligible dependents" has a different meaning than it does for most other plans and benefits, including the Health Care Flexible Spending Account.

According to the IRS, eligible dependents for a Dependent Care Flexible Spending Account are defined as follows:

- Children under age 13 whom you can claim as dependents on your federal income tax return,
- A disabled spouse who is physically or mentally incapable of self-care,
- Any other persons whom you can claim as dependents on your federal income tax return, and who are physically or mentally incapable of caring for themselves, or
- For adults to qualify as dependents, they must spend at least eight hours a day in your home.

Taxpayer ID Required

You must submit your caregiver's taxpayer ID number to be reimbursed for eligible expenses. Informally paid dependent care expenses or wages paid to an illegal alien are not eligible for reimbursement.

Eligible Expenses

Expenses relating to certain household and dependent care services are eligible for reimbursement through your Dependent Care Flexible Spending Account if those services qualify under IRS rules and:

- they allow you (and your spouse, if you are married) to work or look for work,
- your spouse attends school full-time, or
- your spouse is disabled.

These include expenses for the following:

- Licensed nursery schools and day care centers for preschoolers, as well as summer day camps for children under age 13. (Schools and centers must comply with state and/or local laws and receive a fee for their services.),
- After-school care for children under age 13,
- Services from persons who provide day care in or outside your home, except when the provider is your dependent or your child under age 19,

- Day care centers that provide nonresidential day care for dependent adults,
- Household services related to the care of an elderly or disabled adult who lives with you, and
- FICA and other taxes you pay on behalf of a day care provider.

Ineligible Expenses

Some expenses are not eligible for reimbursement from your Dependent Care Flexible Spending Account, such as the following:

- Application fees,
- Cost of food and clothing,
- Cost of transportation between your house and the place where day care services are provided, or the cost of transportation for a care provider,
- Cost for any person caring for your child when either you or your spouse is not working,
- Charges for convalescent nursing home care for a parent,
- Cost of schooling above the nursery school or preschool level,
- Overnight camp expenses,
- Payments for care provided by a dependent under age 19 or by anyone claimed as a dependent on your income tax return,
- Cost for dependent care that enables you or your spouse to do volunteer work,
- Expenses for which the federal child care tax credit is taken, or
- Medical expenses for your dependents.

Filing a Dependent Care Flexible Spending Account Claim

You need to file a claim to be reimbursed through your Dependent Care Flexible Spending Account for eligible expenses. You must include proof of payment — an itemized receipt or itemized bill from the care provider, including the provider's name, address and taxpayer identification number — with your claim. You will not be reimbursed without proper documentation.

With each reimbursement, you receive a statement showing your balance and any payments made from your account.

When you submit a claim, you will be reimbursed up to the balance in your Dependent Care Flexible Spending Account at that time. If your account does not have enough funds to pay the full claim, you'll be reimbursed when you make additional contributions to cover the claim.

You have until March 31 of the following year to submit claims for eligible expenses incurred through December 31. You may be reimbursed only for dependent care expenses incurred while you are contributing to the Dependent Care Flexible Spending Account.

Claims must be submitted to the Dependent Care Flexible Spending Account administrator at the following address:

Claims Administrator
Pequot Plus Health Benefits Services
P.O. Box 3620
Mashantucket, Connecticut 06338

The administrator reviews your claim and reimburses all eligible expenses. If you submit an ineligible claim, you will be notified.

If you are not satisfied with the outcome of a benefits claim you have submitted, you can ask that the claim be reviewed. See "Claims Review and Appeals Procedures" in the *Rules and Regulations* section for more information.

A New Teenager in the Family?

Remember, once your child turns 13, expenses incurred for his or her care are no longer eligible for reimbursement under the Dependent Care Flexible Spending Account, and you may want to change your contribution. Your child's loss of dependent eligibility counts as a qualified change in status and allows the opportunity to reduce or stop your contributions. See "Eligibility and Enrolling," within this section, for more information.

Expense Information

Because the expenses that are eligible for reimbursement through your Dependent Care FSA are the same as those eligible for the federal tax credit, you can get more examples of eligible expenses by referring to IRS Publication 503, *Child and Dependent Care Expenses.* Publication 503 is available at your local IRS office or by calling the IRS at 1-800-829-3676. You also may obtain a copy online by accessing **http://www.irs.gov.**

Leaving MPTN

If you leave MPTN with an outstanding Dependent Care Flexible Spending Account balance, you can submit claims or eligible expenses incurred through your last day of work.

When Contributions End

Your before-tax contributions to a Dependent Care Flexible Spending Account stop whenever the first of the following events occurs:

- The plan year in which you have elected to participate ends.
- You retire or otherwise end your employment (whether voluntarily or involuntarily).
- You take a leave of absence, including a leave under the MPTN leave policy that applies to your division.
- You no longer meet the eligibility requirements to participate.
- MPTN discontinues the plan.
- You die.

Use It or Lose It

Be sure to estimate your expenses carefully before enrolling. At year-end, you forfeit any unused FSA balances.

If your participation in the Dependent Care Flexible Spending Account ends, you forfeit any unused account balance. However, you have until March 31 of the following year to submit claims for eligible expenses incurred through December 31. You may be reimbursed only for dependent care expenses incurred while you are contributing to the Dependent Care Flexible Spending Account.