SCHOOLCRAFT COLLEGE
FLEXIBLE SPENDING ACCOUNT – CHILD CARE PLAN

A. DEFINITIONS

1. A “covered staff member” shall be an employee of Schoolcraft College to whom this plan is offered and who shall be entitled to participate in the plan on the first day of his/her employment, or in the Open Enrollment period.

2. The annual “Open Enrollment period” of this plan shall be November 1st through November 30th.

3. The “plan year” shall be the first day of January through the last day of December.

4. A “significant life event” is an event that involves marriage, divorce, birth, adoption of a child, death of a dependent, or a change in the employee’s and/or spouse’s employment status.

B. ENROLLMENT

The annual Open Enrollment period is the only time an employee may change an election unless there is a “significant life event”.

C. INCOME REDIRECTION

An employee may redirect a portion of their income to pay for dependent care expenses; the employee is not required to pay taxes on that part of the income. Using pre-tax dollars could mean a tax savings for the employee. The Internal Revenue Service (IRS) requires that any money left in Dependent Care Accounts at the end of the plan year be forfeited. Employees should allocate only as much to the Account as they are reasonably assured will be spent on dependent care expenses.

<u>Contributions will automatically be deducted from the employee’s pay before taxes are assessed and deposited into the employee’s dependent care account. No federal or state income taxes or Social Security taxes will be withheld on these dollars.</u>

In order to change the contribution amount, a participant must notify the Human Resources Benefits Specialist within thirty (30) days of a "significant life event" which permits the change.

D. **ACCOUNT LIMITATIONS**

Under the Schoolcraft College Dependent Care Program, the amount of income an employee may redirect to the Account is limited as follows:

Maximum contribution of $5,000 per plan year, as defined by the IRS.

A written election must be made during the Open Enrollment period, and the amount is not subject to change during the remainder of the plan year, unless the employee experiences a "significant life event".

In addition, to prevent people from using the account only as a tax shelter, the IRS requires that any money not spent by the end of the year be forfeited to the employer. Therefore, it is very important to make careful decisions about how much to redirect to the Dependent Care Account.

E. **CLAIM PAYMENT/REIMBURSEMENT**

Debit cards will be available for child care services. Requests may also be submitted to BASIC for reimbursement of expenses paid for out-of-pocket child carre, along with appropriate documentation. Employees may obtain forms at www.basiconline.com.

An employee will have up to three months after the end of each plan year (by March 31st) to submit expenses incurred during the previous plan year. Claims that are submitted after that time for the prior year will not be reimbursed.

If an employee is reimbursed for expenses that are not covered by the plan, or for more than is allowed, federal law requires that such reimbursement be reported as taxable income to the employee; the employee will then be responsible for paying any tax required on those amounts.

F. **FORFEITURES**

The Dependent Care Account should be used only for covered expenses that an employee can reasonably predict, because federal regulations require that any unused amount in the Account be forfeited at the end of each plan year.

D. **DEPENDENT CARE SPENDING ACCOUNT**

In order for the employee to be eligible for reimbursement, he/she and his/her spouse (if married), must be at work during the time the dependent(s) are receiving care (unless the spouse is an eligible disabled dependent), or a full-time student for at least five months during the year.

1. Eligible Dependents

Eligible dependents include:

a. Your dependent who was under age 13 when the care was provided and for whom you can claim an exemption,

b. Your spouse who was physically or mentally not able to care for himself or herself, or

c. Your dependent who was physically or mentally not able to care for himself or herself and for whom you can claim an exemption (or could claim an exemption except the person had $3,100 or more of gross income or filed a joint return).

2. Covered Expenses

Appropriate expenses incurred on the days the employee/spouse are working include charges for such things as:

a. Licensed nursery school and dependent care center.

b. Baby-sitting, whether in or out of the employee’s home.

c. Housekeeper in the employee’s home, if part of their work is to provide for the well-being and protection of the eligible dependents.

d. Home care specialist who provides care to an eligible disabled dependent, and

e. Disabled dependent care center that complies with state and local laws and regulations.

3. Expenses Not Covered

An employee will not be reimbursed from the Dependent Care Account for such things as:

a. Dependent being cared for by the employee's spouse, another child under age 19, or by another dependent of the employee.

b. Dependent who could be cared for by the employee's employed spouse whose work hours do not coincide with those of the employee.

c. Service which is paid for by another organization or is provided without cost.

d. Transportation to or from the dependent care location.

e. Care provided in a full-time residential institution, such as nursing home and home for the mentally disabled, and

f. Clothing, entertainment, or food.

4. Education Expenses

Education expenses will be covered if the nursery school or day care center provides schooling as part of its preschool care services. Education expenses for first grade or beyond are not covered.