



# Dependent Care Flexible Spending Account

## Plan Details



alight

**Smart-Choice  
Accounts®**



## Quick Facts

<b>Vendor</b>	Alight Smart-Choice Accounts PO Box 64009 The Woodlands, TX 77387-4009
<b>Support</b>	Human Resources Center (HRC) at 1-888-927-7700
<b>Governance</b>	The Dependent Care Flexible Spending Account plan is governed by Internal Revenue Code (IRC) Section 125 and Section 129 which allows employees to pay for qualified expenses with pre-tax dollars.

## Overview

A Dependent Care Flexible Spending Account (DCFSA) allows you to set aside money on a pre-tax basis to pay for a variety of eligible dependent care expenses. The DCFSA covers expenses for the daily care of your children under age 13 or other qualified individuals who are unable to care for themselves, so that you can work.

## What's Covered

The DCFSA covers eligible dependent care expenses so that you (or you and your spouse if you're married) can work (or look for work) or your spouse can attend school full time.

For dependent care expenses to qualify for reimbursement through the DCFSA, the care must be provided for a Dependent (as defined above) so that you can work (if you're married, your spouse also must work, be looking for work, or attend school full time).

The following expenses are eligible for reimbursement under the DCFSA:

- costs for care at facilities away from home, such as family day care or adult day-care centers, as long as your adult Dependent spends at least eight hours a day in your home;
- recreation programs;
- services of a day-care center, nursery school or preschool (but not kindergarten) if the center complies with all state and local laws;
- summer day camps; and
- wages paid to a baby-sitter or companion in or outside your home.

## Ineligible Expenses

The following expenses are not eligible for reimbursement under the DCFSA:

- boarding schools;

- care provided by someone you claim as a dependent;
- educational expenses like swimming, dance lessons or art classes, whether individual or group, even if recommended by a doctor to improve general health;
- expenses incurred before your effective date of participation;
- kindergarten;
- nursing homes;
- overnight camps; and
- providers who watch your eligible dependents while you attend social events.

For additional details on eligible expenses, visit the following website:

<https://www.fsafeds.gov/explore/dcfsa/expenses>

## Contributions

The IRS sets annual pre-tax contribution limits for Flexible Spending Accounts. BMO uses the maximum determined by the IRS each year.

Flexible Spending Accounts (FSAs) must comply with IRS non-discrimination testing rules to maintain their tax-advantaged status. These rules are designed to ensure that FSAs do not disproportionately benefit highly compensated or key employees over others. The Plan administrator, in its discretion, may take corrective action to satisfy these rules. Corrective actions could include capping annual maximums for highly compensated employees, reducing elections for highly compensated employees or imputing income on the excess benefit amount for highly compensated employees.

The maximum amount that you can elect may be less because of other limitations. For example, you cannot elect more than the lower of you or your spouse's earned income for the calendar year.

You may elect to contribute up to IRS maximum per calendar year to the DCFSA if:

- You are married and file a joint federal income tax return;
- You are married and file a separate federal income tax return, and meet the following conditions:
  - your household constitutes the primary residence for more than one-half of the year of a dependent for whom you are eligible to receive reimbursements under the DCFSA;
  - you furnish over half the cost of maintaining this household during the taxable year; and
  - during the last six months of the taxable year, your spouse was not a member of this household.
- You are single or head of household for federal tax purposes.

If you are married and reside with your spouse but you file separate federal income tax returns, the maximum amount you can contribute to the DCFSA is limited to the married and filing separately amount per calendar year. The amount you may elect cannot exceed either your or your spouse's earned income for the calendar year.

The amount you elect will automatically be deducted from your pay on the first two pay periods of each month and deposited into your FSAs. If there is a third pay period in the month, deductions will not be taken (exceptions may apply in certain circumstances such as missed deductions). The money remains credited to your DCFSAs until you incur eligible expenses and submit a claim for reimbursement.

### **Other Special IRS rules**

The special tax advantages of the FSAs are offered based on current Code rules. The same federal tax laws that allow pre-tax savings on your reimbursements also place certain restrictions on your accounts as follows:

- Your deductions for one kind of FSA cannot be transferred to the other. For example, you cannot transfer remaining Health FSA funds into your DCFSA to pay for eligible dependent care expenses.
- The money you set aside each calendar year must be used for that calendar year's expenses while you were actively participating. Any money that is not used will be forfeited.
- Your DCFSA elections must also stay in effect for the calendar year. You may, however, change your elections if you experience a qualifying life event or status change that necessitates a mid-year election change.

### **Dependent Care Flexible Spending Account vs. dependent care tax credit**

The IRS lets you claim work-related dependent care expenses for this credit on your income tax return. The tax credit amount is determined by applying a percentage to your total work-related dependent care expenses. You can use the DCFSA and the tax credit, but you cannot claim the same expenses for both. If you decide to use both the DCFSA and the dependent care tax credit, federal regulations require that the amount you have directed into the DCFSA be subtracted from your tax credit. As with any tax matter, it's recommended to consult a tax professional before making your decision since tax laws change often.

## **Claims for reimbursement**

As you incur eligible expenses during the Plan year, you can submit claims to your Smart-Choice flexible spending account for reimbursement. Each expense you submit will be reviewed by Smart-Choice to determine whether it qualifies for reimbursement under IRS rules. The service must be incurred during the Plan year and while you were

actively participating to qualify for reimbursement. Pre-paid services that were charged or billed but not provided during the Plan year are not eligible for reimbursement.

### **Deadline to file claims**

You have until April 30 of the following year to submit any dependent care claims incurred in the previous calendar year while you were actively participating. Unused DCFSA funds will not carry over and will be forfeited if not used by the deadline.

### **Reimbursement for dependent care expenses**

You will need to submit a DCFSA claim form each time you request reimbursement. You can file DCFSA claims as often as you like. You will receive reimbursement from your account up to the balance in your account at the time you submit your request. If you incur expenses that exceed your available funds, future claims will be reimbursed as additional funds accumulate in your account.

Each time you file a claim, you'll need to include: (1) the name, address and Social Security number or tax ID number of the provider, (2) the name of the person receiving services; and (3) a description of the expense.

Under the DCFSA, you generally must be working to receive reimbursement for dependent care expenses.

### **How to file a claim for reimbursement**

To submit claims for reimbursement online, go to **Workday**, click on the **My Benefits & Retirement** app, select your network status (on or off the BMO network); click on Reimbursement Accounts. You also have the option to submit your claims through the paper form available on the website, or by submitting your claims through the Smart-Choice app.

You or your authorized representative may file claims for Plan benefits. An “authorized representative” means a person you authorize, in writing, to act on your behalf. The Plan will also recognize a court order giving a person authority to submit claims on your behalf. All communications from the Plan will be directed to your authorized representative unless your written designation provides otherwise.

### **Notice of a denied claim**

If you are denied a full or partial claim for benefits, you will receive written or electronic notice (if valid email on file) of the denial and the notice will:

- explain the reason for the denial;
- refer to the pertinent provision of the Plan on which the denial is based;
- describe any additional material or information necessary for properly completing the claim;
- explain why such material or information is necessary;

- explain the claim review procedures; and

### Appealing denied claims

If you are not satisfied with the determination of a claim denial, please contact the Human Resources Centre at 1-888-927-7700 and speak with a Smart-Choice representative. If after investigation, you are still not satisfied with the determination, you may file an appeal within 180 days of receiving a claim denial. To make an official appeal of the denial of your reimbursement, you must complete and return the Claims Review Form by requesting from the Smart-Choice representative. If you do not submit a Claim Review Form during this period, no further action will be taken, and you will not be able to file an appeal for the claim later.

When completing the Claim Review Form, state the reason you think you are entitled to reimbursement, including any documentation or information you feel supports your appeal.

The review will be by a person who was not involved in the initial determination, and will consider all comments, documents, and other information submitted by you, without regard to whether that information was submitted or considered in the initial determination. You are entitled to receive, free of charge upon request, any document relevant to your claim for benefits. Your appeal will be reviewed within 30 days from the date of receipt for health care, or within 60 days from the date of receipt for dependent care and provide you with a written explanation of the benefit determination.

### Statements

A statement reflecting the activity in your FSA is distributed at the beginning of the fourth quarter each year. Each statement will show your contributions to date, claims paid and available account balances. This information is also available by navigating to Workday, click on the My Benefits & Retirement app, depending on where you are connecting to Workday from, (on or off the BMO network), click on Reimbursement Accounts.

**Please note** any amounts that remain in an overpayment status after the Plan year-end deadline (April 30), will appear on your current year W2 as taxable income.

### Forfeitures

Before you elect your annual FSA contribution, carefully review, and consider your dependent day care needs and previous expenses. IRS regulations require that any money left in your DCFSA that is not used for reimbursement of eligible expenses incurred by December 31 and submitted for reimbursement by April 30 be forfeited.

You must submit claims for eligible expenses by April 30 of the **following** calendar year. Your claims must be received by the claim's administrator on or before April 30 to be

eligible for reimbursement. Any unclaimed balance remaining in your account after April 30 will be forfeited.

Also, remember that you cannot use money in your DCFSA to reimburse health care expenses and vice versa.

## **When coverage ends**

Your contributions to the DCFSA ends if any of the following events occur:

- your employment with the Company ends for any reason,
- you become ineligible to participate (see), or
- you go on Long Term Disability leave.

If you have a balance in your DCFSA when your coverage ends you may claim qualified expenses incurred for the remainder of the calendar year. Expenses will be reimbursed up to the total amount of unused funds remaining in your account. To be eligible for reimbursement, qualified DCFSA expenses must have been incurred while you are gainfully employed, actively looking for work or a full-time student. Active coverage ends on your last day worked.

To be eligible for reimbursement, your dependent care claims must be received by the Claims Administrator no later than April 30th of the following calendar year. It is your responsibility to notify the Company of any change in your status or the status of any of your Dependents that affects eligibility for coverage under the Plan within 31 days of the status change.