

Section 125 Cafeteria Plan for Mennonite Church USA

Premium Expense, HSA Contributions, Dependent Care

The benefit of making contributions to your health savings account (HSA) through the Section 125 Cafeteria Plan is that your contributions are not subject to federal (as well as FICA) income taxes. However, health savings accounts are different than the Section 125 Cafeteria Plan reimbursement accounts and the rules governing them are also different.

The rules governing your HSA, including eligibility for establishing and contributing to an HSA, annual contribution limits, and taking distributions from an HSA are established by the Internal Revenue Service. For the HSA, the Section 125 Cafeteria Plan governs only how pretax contributions are made to your HSA. See your Health Savings Account Disclosure and Custodial Agreement for more details.

Please read this carefully. This is not meant to be a comprehensive description of how the Section 125 Cafeteria Plan works. See the summary plan description for the Section 125 Cafeteria Plan for more details. Call The Harrison Group if you have questions.

The Section 125 Cafeteria Plan allows you to save money on the following expenses:

- Pretax employee contributions to your health savings account.
- Work-related dependent care expenses through the dependent care reimbursement account.
- Premiums for employer-sponsored coverage (health, dental, or vision). This is automatic when you're paying a portion of premiums.

The Section 125 Cafeteria Plan is established under Section 125 of the Internal Revenue Code. It permits you to pay for certain expenses with pretax dollars. These expenses must be unreimbursed by any health plan or reimbursement programs.

Determining value for you

You can determine whether you will benefit from the Section 125 Cafeteria Plan by answering the following questions and reviewing the annual maximums allowed.

For employee health savings account (HSA) contributions

- Do you have health, dental, or vision expenses not reimbursed by a health plan or any other source? Your deductible is one example of such an expense. A list of expenses eligible for distribution from a health savings account is available in the Health savings accounts section of the Banking tab on the Everence website at everence.com.
- You can contribute money to an HSA for the expenses you expect to have during the year, or you can save money for future medical expenses – as long as you stay within the contribution limits.
- For 2020, the annual maximum contribution allowed is \$3,550 if you have individual (self-only) health coverage, \$7,100 if you have family health coverage. The maximum is the total of your employer and your contributions.
- If you are age 55 or older, you may contribute an additional \$1,000 (called a catch-up contribution). If your spouse is also age 55 or older – and is otherwise eligible to contribute to an HSA, he or she may open a separate HSA and make catch-up contributions as well.

For dependent care (dependent care reimbursement account)

- Do you have a child under age 13 who lives with you and for whom you pay child care so you and your spouse can be employed or attend school full time?
- Do you have a dependent who lives with you, who is physically or mentally incapable of self-care, and for whom you pay dependent care?
- Maximum allowed is \$5,000 for a single adult filing as head of household or couple filing jointly; \$2,500 for couples filing separately.

Clarification on taxes

Paying for expenses on a pretax basis through the Section 125 Cafeteria Plan means that you are reducing your taxable income. You will pay less Social Security tax and also may be eligible for less Social Security benefits later.

For dependent care reimbursement accounts

Receiving reimbursements

When you want to access the funds in your dependent care reimbursement account, you simply complete a reimbursement request and attach any relevant receipts.

When you can access funds

You can take only as much money out of your dependent care reimbursement account as you have deposited in it.

Cautionary notes for dependent care

You must spend all the money in your account each year or you lose it. If you contribute \$500 in a year and have qualifying dependent care expenses of only \$450, you will lose the \$50 you did not spend. You cannot keep it until the next year.

Because you cannot carry money over to the next year, you will want to estimate conservatively what your expenses will be. When estimating your dependent care, do not forget to allow for vacations or sick days when you wouldn't be paying for care.

Changing dependant care election

You may be able to change your dependent care election in the middle of a plan year if you have a qualifying event such as marriage or divorce, death of a spouse or dependent, birth or adoption of a child, change in your employment or your spouse's employment status. Specific rules apply as outlined in the summary plan description for the Section 125 Cafeteria Plan.

Regular reports

You will receive periodic reports on the balance in your account. In addition, all reimbursement checks will include the current balance of your account.

For health savings account contributions

Changing contributions

You can change or terminate employee contributions to your health savings account at any time. Any changes made will apply only to future paycheck withholdings.

Changing jobs

If you are moving from one church to another church who is eligible to participate in The Corinthian Plan, then your FlexChoice elections continue uninterrupted. You may continue to access your dependent care reimbursement account for expenses, and your new employer should continue to withhold the election amounts you had chosen previously.

If you are retiring or going to an employer who is not eligible to participate in The Corinthian Plan, your elections will terminate.

For dependent care, you may continue to submit reimbursement requests for care that occurred within the plan year.

For health savings account contributions, you may make contributions directly to your HSA if you meet eligibility requirements. (If you're retiring and enrolling in Medicare, you would not be eligible to make contributions.) The HSA is considered yours, and you may be charged a small administration fee as long as you keep the account open.



The Harrison Group, Inc.

3 Raymond Drive, Suite 201

Havertown, PA 19083

Phone: (610) 853-9075 Fax: (610) 853-9079

Email: service@theharrisingrouponline.com

Eligible Medical Expenses for Health Savings Accounts



An eligible expense is an expense paid for medical care as defined in Section 213(d) of the Internal Revenue Code. Below are two lists that may help determine whether an expense is eligible.

The Internal Revenue Service has not issued a list of eligible medical expenses specific to health savings accounts. However, IRS Publication 502 lists many of the expenses for medical care (as defined under Section 213(d) of the Code) that are eligible for reimbursement from an HSA. Please keep in mind that this is a guide only and is not an exact list of eligible medical expenses. You may order Publication 502 directly from the IRS by calling (800) 829-3676. If tax advice is required, you should seek the services of a competent professional.

Eligible medical expenses

Acupuncture	Home test kits	Physician
Alcoholism treatment	Hospital services	Physiotherapist
Ambulance	Hydrotherapy	Podiatrist
Anesthetist	Insulin and diabetic supplies	Pre- and post-natal care
Artificial limbs	Lab tests	Prescription drugs and medicines
Asthma treatments	Lead-based paint removal	Psychiatrist
Birth control pills	Metabolism tests	Psychologist
Blood tests	Neurologist	Psychotherapy
Blood transfusions	Non-prescription drugs and medicines* (for medical care)	Radium therapy
Braces	Nursing services (for medical care)	Registered nurse/practical nurse
Cardiographs	Obstetrician	Smoking cessation programs
Chiropractor	Operating room costs	Splints
Contact lenses and solution	Ophthalmologist	Sterilization procedures
Contraceptive devices	Optician	Telephone or TV equipment to assist the hearing-impaired
Convalescent home (for medical treatment only)	Oral surgery	Transportation expenses (when essential to medical care)
Crutches	Organ transplant (including donor's expenses)	Vaccines and immunizations
Dental treatment and x-rays	Orthodontia	Vision correction surgery
Dentures	Orthopedic shoes and inserts (for medical care)	Walkers
Diagnostic tests and services	Orthopedist	Weight-loss programs (as treatment of a specific disease diagnosed by a physician such as hypertension or heart disease)
Drug addiction treatment	Osteopath	Wheelchair/Autoette (when used for relief of sickness/disability)
Eyeglasses (needed for medical reasons)	Over-the-counter supplies (for medical care, e.g. bandages)	X-rays
Fluoridation services	Oxygen and oxygen equipment	
Guide dog or other service animal	Pediatrician	
Gynecologist		
Hearing aids and batteries		

*Non-prescription drugs and medicines (examples listed below) purchased on or after Jan. 1, 2011, are eligible medical expenses **only** if you have a prescription from your physician or other health care professional. Prescription means a written or electronic order for a medicine or drug that meets the legal requirements of a prescription in the state in which the medical expense is incurred and is issued by an individual who is legally authorized to issue a prescription in that state.

Allergy medications	Cold medicine	Laxatives
Antacids	Cough suppressants	Motion sickness pills
Antibiotic ointments	Decongestants	Nicotine gum and patches
Antihistamines	Eye drops	Pain relievers
Anti-diarrhea medicine	First aid creams	Sinus medication and nasal sprays
Calamine lotion	Hemorrhoid treatments	Sleep aids
		Wart removal medication

Ineligible medical expenses

Advanced payment for services to be rendered next year	Funeral, cremation, or burial expenses	Premiums for life insurance, income protection, disability, loss of limbs, sight or similar benefits
Athletic club membership	Hair transplants	Special foods and beverages
Automobile insurance premium allocable to medical coverage	Health programs offered by resort hotels, health clubs and gyms	Suntan lotion
Boarding school fees	Herbs	Swimming pool
Bottled water	Illegal operations and treatments	Teeth whitening
Commuting expenses of a disabled person	Illegally procured drugs, including drugs imported from other countries	Travel for general health improvement
Cosmetic surgery and procedures	Late fees and missed appointment fees	Vitamins, nutritional supplements, and dietary supplements to maintain general health
Cosmetics, hygiene products, toiletries and similar items	Lip balm (including chapstick and carmex)	Weight loss programs and drugs for general health
Diapers or diaper service	Maternity clothes	
Diet foods	Medicated shampoos and soaps	
Electrolysis or hair removal	Non-prescription drugs and medicines without a prescription	

In general, health plan premiums are an ineligible medical expense for HSAs. However, there are several exceptions to this. HSA funds may be used to pay for:

1. Health plan premiums during any period of continuation of coverage required under federal law (COBRA).
2. The tax-deductible portion of the premium for a qualified long-term care insurance contract.
3. Health plan premiums during a period in which the individual is receiving unemployment compensation under any federal or state law.
4. For individuals age 65 and older, premiums for a health plan **other than** a Medicare supplement policy (Medicare premiums, premiums for individual health insurance, and retiree medical premiums under an employer plan).

Everence Federal Credit Union

1110 N. Main St.
P.O. Box 483
Goshen, IN 46527
everence.com

Toll-free: (800) 348-7468
T: (574) 533-9511