



2009 Automatic Transfer / Direct Deposit Change Form
Flexible Spending Accounts (FSA)

Mail or hand deliver completed form to: Benefits Office, 155 Whitney Ave, Rm 130, P.O Box 208256, New Haven, CT 06520

Table with 4 columns: Employee Information, Employee ID, Last Name, First Name, MI, OR Social Security #, Date of Change Request, Department, Telephone #

Automatic Data Processing (ADP) will process claim reimbursements for 2009. Visit www.flexdirect.adp.com for more information, including types of eligible and ineligible expenses.

Please note: By completing and signing this application, you agree to the Terms & Conditions as stated on both sides of this form.

Features for 2009

Automatic Transfer of Claims - You can authorize your Yale health insurance carriers to submit automatically to ADP eligible, out-of-pocket claims for you and your covered eligible dependents each month for processing. If you choose this option below, you will not have to file claims with ADP for reimbursements of co-pays, deductibles and coinsurance (including expenses for out-of-network services). However, you will need to submit claims for reimbursement for other expenses, such as over-the-counter medications. You can opt in or out at any time during the calendar year by contacting the Benefits Office. Spouses and adult children also may opt out of this feature. This feature is not available if you are covering a civil union partner under your health insurance or if you are enrolled in a Health Savings Account (HSA) as part of a high deductible health insurance plan. Please refer to Terms & Conditions for more information.

Direct Deposit of Claims - You can authorize Yale University to transmit to ADP the information regarding the account to which your Yale paycheck is deposited, to allow for eligible claim reimbursements to be direct deposited into that account. This information will override any other account information on file with ADP. You will be able to start or stop the direct deposit feature during the calendar year by contacting the Benefits Office.

Automatic Transfer of Claims

- Yes, I authorize my Yale health insurance carriers to submit automatically to ADP eligible, out-of-pocket claims for me and my covered eligible dependents for processing my reimbursements.
No, I want to stop the Automatic Transfer of Claims for me and all of my covered eligible dependents. I understand that I will have to submit my claims directly to ADP in order to be reimbursed for these out-of-pocket expenses.
I am a covered eligible dependent of the above-name Flexible Spending Account holder and do not want my out-of-pocket expenses to be transferred automatically to ADP by the Yale health insurance carriers.

Names(s) of Dependent(s)

Requestor's Signature

Date

Direct Deposit of FSA Claim Reimbursements

- Yes, I authorize Yale University to transmit to ADP the information regarding the account to which my Yale paycheck is deposited, to allow for eligible claim reimbursements to be direct deposited into that account. I understand that this information will override any other account information currently on file with ADP.
No, I want to stop the direct deposit feature and do not want Yale to transmit this information to ADP. I understand that ADP will send my claim reimbursements to my home address as listed in the Yale system unless I make other direct deposit arrangements directly with ADP. (Please make sure that your address is up-to-date with the Yale University Benefits Office.)

Employee Signature

Date

## FLEXIBLE SPENDING ACCOUNT RULES, TERMS & CONDITIONS

### How Flexible Spending Accounts (FSAs) work

Flexible Spending Accounts (FSAs) allow you to set aside pre-tax funds to pay for eligible medical, dental or dependent care expenses. Your contributions are deducted from your paycheck before federal and state income taxes are withheld. FICA (social security) taxes will also be based on the reduced salary or wages. Funds are accumulated in a "reimbursement account" pending submission of claims for reimbursable expenses. The annual elected amount is divided into equal periodic payroll reductions throughout the year. An individual cannot "lump" his or her reduction to correspond to a particular part of the year. Expenses are reimbursed until the cumulative total equals the annual amount designated. Expenses reimbursed through an FSA cannot then be claimed as a deduction on federal income tax returns. Regular employees (faculty with at least a 50% appointment or staff scheduled to work at least 20 hours per week) may enroll. Expenses for the employee and qualifying dependents are eligible.

**Qualifying Dependent** - For health care (medical/dental), any individual who, "for the taxable year of the taxpayer, has as his principal place of abode the home of the taxpayer and is a member of the taxpayer's household" AND, for whom, "half of whose support, for the calendar year in which the taxable year of the taxpayer begins, was received from the taxpayer." For dependent/child care, a qualifying dependent is (a) a dependent of the participant who is under 13 and for whom the participant may claim a personal exemption, OR (b) a dependent (including a person the participant could claim as dependent except that the person has gross income of \$3,500.00 or more) who is physically or mentally unable to care for himself or herself, OR (c) a spouse who is physically unable to care for himself or herself. The dependent must spend at least 8 hours per day in your household. Per federal regulations an employee's domestic partner is not a qualifying dependent for either health care or dependent care expenses.

**Health Care (Medical/Dental) Flexible Spending Account** - Provides a means to reimburse participants for health care (medical and dental) expenses that are not covered by membership in a health or dental plan or other insurance. Such expenses may be incurred by the participants themselves, by their spouses or by their eligible dependents. Most medical expenses that would qualify for purposes of a federal income tax deduction would also qualify for reimbursement under this program. Some restrictions apply. The annual election maximum is \$12,000. See the list of qualifying expenses at [www.flexdirect.adp.com](http://www.flexdirect.adp.com) and [www.irs.gov](http://www.irs.gov), Publication 502. Premiums for employee health, dental and the first \$50,000 of Yale sponsored life insurance (if any) are paid with pre-tax dollars to achieve the tax savings. Unless you instruct us in writing not to do so, salary reductions will be automatically instituted to pay your share of these premiums. These premiums should not be included in flexible spending account calculations or claimed as a deduction or tax credit on income tax returns. Also, the Tax Code specifically prohibits certain "cosmetic surgeries" from being claimed as a medical expense either on tax returns or against a flexible spending account. Purchases of individual health insurance policies by an employee or spouse, or group health insurance by employee or spouse through another employer, or long term care insurance will NOT qualify for reimbursement. Employees who also participate in a Health Savings Account (HSA) as part of a high deductible health insurance plan may not use a Flexible Spending Account (FSA) for expenses that are included in their deductible. FSA is limited to other expenses such as dental, vision and co-pays. Also, there may be restrictions as to the amount you can contribute to an HSA.

**Child / Dependent Care Flexible Spending Account** - Eligible Yale employees have the following two ways to reduce their income taxes: (1) the child and dependent care federal income tax credit (IRS Form 2441), which directly decreases the amount of tax an individual owes by a percentage of a limited amount of qualifying expenses, OR (2) the Reimbursement Program for Child / Dependent Care Expenses under the Flexible Spending Account (FSA), which permits an individual to pay child and dependent care expenses with non-taxable dollars to an annual maximum of \$5,000. It is not allowable to obtain a tax credit for child or dependent care expenses above the \$5,000 household limit permitted in the reimbursement account even if both parents are employees of Yale University. All amounts so excluded must be offset against the tax credit - for all practical purposes eliminating any possibility of saving taxes on expenses exceeding the \$5,000 per family annual limitation. See Publication 503, [www.irs.gov](http://www.irs.gov).

To be reimbursable, "eligible dependent care expenses" must be incurred to enable the participant and his/her spouse to be gainfully employed and/or attend school full time; the participant must have one or more "qualifying dependents" in the household while employed; the expenses must be incurred for either household services or for the care of a "qualifying dependent;" the child/dependent care reimbursement may not exceed the year-to-date total deducted from the participant's paycheck; the name, address and taxpayer ID number of the provider must be reported; reimbursable expenses during the calendar year for a participant are limited to the lesser of participant's or the spouse's earned income (if the participant is married) for that year or \$5,000. If the spouse is a full-time student (at least five months a year) or incapable of caring for him or herself, the spouse is treated as having at least \$250 of earned income in a month if there is one qualifying individual for whom expenses are claimed, or \$500 if there are more than one.

**Guidelines for expenses for the care of a qualifying person** - The main reason must be for the person's well-being and protection. Amounts paid for food, clothing, or schooling cannot be included unless these amounts cannot be separated from the cost of caring for a qualified person. You may not take the cost of schooling in kindergarten or higher grades. You must divide the total cost between the cost of caring for the child before and/or after school and the cost of the schooling. Care that is provided outside your home by a dependent day care center can be counted provided the center complies with all the applicable state and local regulations. The cost of transporting a qualifying dependent to and from day care is not considered a work-related expense. Expenses may not be claimed if the payment is made to a participant's child under 19 or to a dependent for whom a personal exemption deduction is claimed. Expenses may be claimed, however, if the payment is to a relative who is not a dependent, even if he or she lives in the participant's home. Overnight camp does not qualify. See the list of qualifying expenses at [www.flexdirect.adp.com](http://www.flexdirect.adp.com).

**Here is what you need to do:** (1) Carefully calculate your anticipated eligible medical/dental expenses and child/dependent care expenses for the calendar year. Only expenses incurred during active Yale employment qualify, unless Flex Cobra is elected for health care expenses. Your taxable income will be reduced each pay period by equal portions of the total annual amount you requested. If you estimate too high and do not have enough expenses, the excess balance will not be refunded, applied to another benefit (including compensation) or carried over to the following year. However, the University has adopted the IRS "grace period extension" for flexible spending account claims permitting employers to extend the deadline for reimbursement of health and dependent care expenses up to 2 1/2 months after the end of the plan year. See #3 below. (2) Complete the 2009 enrollment application and submit it to the Benefits Office within 30 days from date of employment for new benefits-eligible employees. Federal regulations provide that Flexible Spending Account elections cannot later be revoked or changed during the year, except on account of a "change in family status" (e.g., birth or adoption of a child, marriage, divorce, death of a family member, or termination or commencement of employment of spouse). Appropriate change(s) must be made to the Benefits Office within 30 days of the "change in family status" and be consistent with the life event. Since Flexible Spending Account elections do not carry forward from year to year, you must enroll each year **during the annual Open Enrollment period but no later than December 31, 2008**, if you want to participate during the following year. (3) Participants will be able to incur eligible medical and dependent care expenses up to March 15, 2010 and still be reimbursed from their 2009 FSA unused balance as long as they are employed at Yale as of December 31, 2009. The grace period is being offered to allow claims to be filed against unused balances from the previous year and is intended to help employees avoid losing the money they put into their FSA Accounts but have not claimed by the end of the calendar year. **Claims for expenses incurred through March 15, 2010, must be sent to Automatic Data Processing (ADP) with appropriate supporting documentation no later than April 30, 2010, to avoid forfeiture of any 2009 unused balances.** Services need to be incurred before they can be submitted for reimbursement. You can select the automatic transfer of claims feature for health care expenses. ADP will mail reimbursement checks directly to the participant, or the participant may authorize direct deposit reimbursements. Eligible expenses incurred during the 2009 grace period that are reimbursed from your 2009 Flexible Spending Account cannot be re-submitted for reimbursement from your 2009 Flexible Spending Account.

Yale University reserves the right to terminate or amend this agreement as provided in the Plan if doing so becomes necessary or appropriate on account of government action. Any such action by the University will not affect the employee's rights to claim benefits arising before termination or amendment. The tax advantages which the FSA Plan provides are subject to government rulings, regulations and application of the tax laws by the Internal Revenue Service.