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Please Note December 21, 2020 Deadline

November 12, 2020

TO: Local Unit Offices

FROM: Jennifer Wilson
Leader, Extension Operations

RE: Cafeteria Benefits Plan for local unit employees (office professionals,
program assistants, maintenance staff)

Again in 2021, local Extension boards will have the opportunity to offer to their employees a Cafeteria Benefits Plan (also known as a Flexible Spending Account).

Attached please find materials prepared by Keating & Associates, the Manhattan firm that is administering this Cafeteria Benefits Plan. Please direct all questions regarding this plan to Keating and Associates at 785-537-0366.

What is a Cafeteria Benefit Plan? Employees can set aside a portion of their salary on a pre-tax basis for reimbursement of uninsured medical and dependent care expenses. They save Social Security and income tax on the portion of their salary that is set aside to pay for these expenses.

What expenses are eligible for a Cafeteria Benefits Plan?

- Health insurance premiums for **employer** provided health insurance
- Unreimbursed health care expenses if the **employer** provides health insurance
- Dependent care expenses

Who is eligible to participate in this plan? This particular plan is designed for employees of the local unit such as office professionals, program assistants and maintenance staff. Extension Agents can participate in the State of Kansas Flexible Spending Account, but not this plan. Employees must work at least 20 hours per week to be eligible to participate.

New employees or those that have a change in family status (marriage, divorce, death of spouse, etc.) can enroll within 30 days after hire or the change in status.

Please note that only employees of counties and districts that offer health insurance to their employees can participate in the uninsured medical expenses option of the plan. This is a change mandated by the Affordable Care Act.

What are the benefits to the local board? Employers can offer their employees the opportunity to lower their income tax liability. The local board would pay a **one-time fee** of \$10.00 per employer plus a monthly fee of \$5.50 per employee. The local board saves the Social Security tax on the salary that is set aside to pay for medical and dependent care expenses.

What are the steps to participate? The enrollment deadline is **December 21, 2020**. If local extension boards decide to offer this benefit, the enclosed information should be distributed to employees. A copy (the local office keeps the original) of the election form is to be mailed or faxed to Keating & Associates. The address is 1011 Poyntz, Manhattan, KS 66502. The FAX numbers are local (785) 537-0747 or toll free (877) 537-0747.

If a local board decides to offer the Cafeteria Benefits Plan to their office professionals, program assistants, and maintenance staff, they must all send Keating & Associates an election form, even if they elect not to enroll. **Employees who participated in 2020 and plan to continue participation must re-enroll for 2021.** Use the attached information to enroll.

Keating & Associates will be preparing reimbursement checks or direct deposits daily. Therefore, a check or deposit will be mailed or authorized within 24 hours of receipt.

If a local extension unit is interested in making these employer contributions, please contact Keating and Associates - 785-537-0366 to discuss the options.

Enc: Cafeteria Plan: Flexible Spending Accounts & Dependent Care
My Flex Mobile
Nondiscrimination Testing
How to Enroll in your Cafeteria Plan

Pc: Gregg Hadley
Jim Lindquist
Chris Onstad
Aliesa Woods
Mary Sullivan
Robert Casey

FSA – Medical Spending Account

What is a Flexible Spending Account?

- A Flexible Spending Account (aka: FSA) is an account you contribute pre-tax money into that you can use to pay for certain out-of-pocket health care costs.
- Money is deposited into the account each paycheck, based on what the employee has elected to contribute.
- All money put in by the employee is done so on a pre-tax basis. **The employee avoids Federal, State and FICA tax!**
- The total amount you elect is available immediately. You do not have to wait until you've contributed the money to use it.

What happens if I do not spend all of the money I contribute to my FSA?

If you do not use the entire amount within the plan year, your plan may have one of the following features available:

- **Option 1:** You are allowed to carry over up to **\$500** per year to use in the following year. Any additional funds above \$500 will go back to the company.
- **Option 2:** You are allowed a “grace period” of up to **2 ½ months**, in the next plan year, to use the money in your FSA. Any additional funds not utilized will go back to the company.

Examples of Eligible Expenses:

- Co-pays and health insurance deductibles
- Prescription Costs
- Dental & Orthodontic Services
- Chiropractic Services
- Optical services including eye exams, glasses, contacts, solution, and Lasik surgery

What is Qualified Receipt?

A qualified receipt must be included with any claims submitted to Keating & Associates with the following information:

- Date of Service (not date of payment or billing date)
- Description of the item or service claimed
- Whom the item or service was for
- Who provided the items or services
- The amount of the expense

Examples of items that CAN be used as a qualified receipt:

- Explanation of benefits from your insurance provider
- Printout from pharmacy
- Prescription leaflets
- Statement or receipt from provider with the above listed requirements (must list service, not balance forward)

Examples of items that CANNOT be used as a qualified receipt:

- Credit card receipts
- Voided checks
- Statement of accounts
- Remittance slips or statements
- Register receipts (unless over-the-counter items that qualify or have doctor's prescription)

Mileage Rates (2020 information)

- 17 cents per mile for travel expense related to medical care with a date of service between 01/01/2020-12/31/2020

HSA – Health Savings Account

What is a Health Savings Account?

A health savings account (HSA) is a tax-favored savings account created for the purpose of paying medical expenses.

What are the benefits of an HSA?

- Tax-Deductible – Contributions to the HSA are 100% deductible up to the legal limit.
- Tax-Free – Withdrawals to pay qualified medical expenses are never taxed.
- Tax-Deferred – Interest earnings accumulate tax-deferred.
- HSA money is yours to keep – unlike a flexible spending account (FSA), unused money in your HSA isn't forfeited at the end of the year; it continues to grow, tax-deferred.

How does it work?

- An HSA works in conjunction with high deductible health insurance.
- Your HSA dollars can be used to help pay the health insurance deductible and any qualified medical expenses, including those not covered by the health insurance, like dental and vision care.
- Any funds you withdraw for non-qualified medical expenses will be taxed at your income rate, plus 10% tax penalty.

What are the contribution limits?

Federal law states annual contribution limits are \$3,550 for singles; \$7,100 for families for 2020. Individuals aged 55+ may contribute an additional \$1,000 for each tax year.

Can my HSA be used for dependents?

Generally, yes. Qualified medical expenses include unreimbursed medical expenses of the account holder, his or her spouse, or dependents. Check your Summary Plan Description to make sure this is elected.

Can I adjust my HSA contributions when contributing through a cafeteria plan?

Yes, employees contributing to an HSA through a cafeteria plan may adjust their contributions at any time, as long as the change only affects future contributions.


Dependent Care Highlights

- Dependent care accounts allow up to **\$5,000 per family** for child care expenses while you (and/or your spouse) are at work.
 - Expenses may be incurred during the plan calendar year or within a 2 ½ month grace period following plan year end
 - Eligible receipts must be submitted within 3 months of the previous plan year to be considered reimbursable
 - Money is deposited into the account each paycheck, based on what the employee has elected to contribute.
 - All money put in by the employee is done so on a pre-tax basis. **The employee avoids Federal, State and FICA tax!**
 - Dependent care accounts are not pre-funded. You can only be reimbursed with funds that are actually in the account.
 - In order to qualify, your dependents must be:
 - A child under the age of 13
 - A dependent child that will be claimed on your current year taxes
 - A child/spouse/dependent that is physically incapable of self-care and spends at least 8 hours a day in your household
 - Qualified expenses for reimbursement include adult and child day care centers, and before/after school care. Please note child care services may not be reimbursed if it is provided by immediate family members. Please check with your tax professional for information on the available tax credit.
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Utilizing the Summit Debit Card for your Qualified Medical Expense

- Using the Summit debit card allows you to pay for your qualified medical expenses rather than having to pay out-of-pocket and submit for reimbursement.
- In order to use the Summit debit card, you must be registered on the participant portal website.
- Approved retailers should allow only approved expenses be charged to the debit card and should not require you to submit claims and documentation. Other retailers should allow you to use the debit card, but you may be required to submit your verification documentation with the claim form.
 - It is strongly encouraged you hold on to your receipts with your annual tax documentation (receipts from using your card or for any medical expense you have reimbursed).
- Ordering and using the Summit debit card must be permitted by your employer for your plan.
- To order a debit card, please contact the Flex Benefits team by phone or email

Remember to check your website or watch for monthly e-mails reminding you of the receipts needed by Keating & Associates Cafeteria department to finalize your purchases. If these are not received, the IRS may require them to be repaid to the plan.



Link your Bank Account for Reimbursement

You may want to link your bank account for quicker reimbursement of your qualified expenses. You can fill out the “Direct Deposit Authorization Form” at www.keatinginc.com/resources/cafeteria-spending

If you do not want to do direct deposits into your bank account, a physical check will be mailed to the address provided or on file with Keating & Associates Cafeteria Department.

Online and Mobile Access

Every participant in the Flex Benefit plan has their own personal account login:

- Check your available balance
- Enter claims online
- See pending and completed payments

Summit Website

- Go to www.keatinginc.summitfor.me
- Login or register as a new user by clicking on “**Register**” You will need your TPA ID, Employer ID, and Participant ID from the welcome email.

Submitting Receipts

You have multiple ways you can submit your receipts for reimbursement:

- Via Summit Mobile app
- Via Summit Online filing
- Keating & Associates paper claim form - www.keatinginc.com/resources/cafeteria-spending
 - Sign and date the claim form, then submit it and the receipts to Keating & Associates by one of the following:
 - i. Email [cafeteria@keatinginc.com]
 - ii. Fax [877-537-0747]
 - iii. Mail [1011 Poyntz Ave, Manhattan KS 66502]