EASTON AREA SCHOOL DISTRICT
Section 125 Cafeteria Plan Summary

FLEXIBLE SPENDING ACCOUNTS

Health Care Spending Account

This portion of the plan will allow you to pay for unreimbursed health care costs on a pre-tax basis. You will need to elect to have amounts withheld from your paycheck on a pre-tax basis. You will be provided with the HG Advantage™ card to pay for eligible expenses. You can also submit a claim form along with your receipts in order to be reimbursed for allowable expenses. Allowable expenses are those medical expenses, which are generally deductible on Schedule A of form 1040 without regard to the exclusion of 10% of the Adjusted Gross Income. The maximum amount that you are permitted to elect for the Plan Year beginning July 1, 2024 through June 30, 2025 $3,200. Please note that certain over-the-counter items and menstrual care products are now reimbursable.

Dependent Day Care Spending Account

This portion of the Plan is similar to the Health Care Spending Account except that the amounts that are withheld will pay for Dependent Day Care costs. If you are reimbursed for Dependent Day Care costs under a Cafeteria Plan, you are not entitled to claim the same amounts for the Child Care Credit on Form 1040. The maximum amount that you are permitted to elect for the Plan Year ended June 30, 2025 $5,000.

General Provisions

- In order for expenses to be reimbursed from each Spending Account for the 2024 Plan Year, those expenses must be incurred by the end of the Plan Year. Any balance remaining in your Healthcare Flexible Spending Account after the end of the Run-Out Period up to $640 can be carried over to the next Plan Year.

- Elections may be made once per year and may not be changed unless there is a change in status. A change in status is defined as marriage, divorce, a death in the family and change in the employment of a spouse (see enclosed information on Change in Status).

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HEALTHCARE FLEXIBLE SPENDING ACCOUNT

This Healthcare Flexible Spending Account will allow you to pay for unreimbursed health care costs on a pre-tax basis. Allowable expenses are those medical, dental and other health care costs which are generally deductible on Schedule A of Form 1040 without regard to the exclusion of 10% of Adjusted Gross Income. You can use your debit card or submit claims for eligible expenses up to your election amount. Some of the more common expenses, which qualify as eligible expenses include the following:

Medical

Ambulance Services
Annual Deductible Amounts
Certain Over-the-Counter Medicines
Dermatologist
Doctor's Office Co-Pays
Hearing Test/Hearing Aids
Lab Work
Diabetic Treatment
Diabetic Supplies
Menstrual Care Products
Prescription Drugs
Psychiatrist
Sleep Apnea Evaluation
Surgery
Hospital Costs
Blood Test
Skin Cancer Exam
Allergy Test
Speech Therapy
Menopause Treatment
Chiropractic Care
Physical Therapy
Lesion Removal
Mole Removal
Echo Cardiogram
Gynecology

Dental

Acrylic Nightguard
Dental Implants
Fillings
Orthodontist – Braces
Root Canal
Cast Post and Core
Dental Surgery
Fluoride Treatments
Sealants
Crowns
Exams/Teeth Cleaning
Impressions
Tooth Extractions

Vision

Contacts
Laser Surgery
Eye Exams
Glasses

For a comprehensive list of allowable expenses, visit www.theharrisongrouponline.com.

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DEPENDENT DAY CARE FLEXIBLE SPENDING ACCOUNT

This Spending Account is similar to the Health Care Flexible Spending Account, except that an employee is able to pay for dependent day care costs on a pre-tax basis. If an employee is reimbursed for these costs under a Cafeteria Plan, they may not use these expenditures in computing the Child Credit on Form 1040.

Reimbursement for dependent day care expenses may not exceed the following limits:

A. $5,000 (if an employee is a head of household or married and file a joint return) or $2,500 (if an employee is married and files a separate return).

B. Your tax compensation (after all compensation reduction arrangements).

C. If an employee is married, the spouse's actual or deemed earned income.

For purposes of (c) above, an employee's spouse will be deemed to have earned an income of $200 ($400 if the employee has two or more dependents) for each month in which the employee's spouse is (1) physically or mentally incapable of caring for himself or herself, or (2) a full-time student at an educational institution.

Dependent Care FSA vs. IRS Tax Credits

As an alternative to a Dependent Care FSA, the IRS provides tax credits through the Child and Dependent Care Credit (Topic 602) if you rely on dependent day care in order to work. You can either participate in a Dependent Day Care Reimbursement Account or receive IRS tax credits, but you can't use the same expenses for both. So, you need to determine which tax-saving option is most beneficial for your family. Compare the advantages by calculating approximately how much you'll reduce your taxes with each method. Your decision depends on your overall childcare expenses, your household income and filing status.

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QUALIFYING DEPENDENT DAY CARE EXPENSES

Under our plan, you will be reimbursed only for dependent day care expenses that meet all of the following conditions:

1. The expenses are incurred for services rendered after the date of an employee's election and during the plan year to which it applies.

2. Each individual for whom an employee incurs an expense is:

   (i) A dependent under Age 13 whom the employee is entitled to claim as a dependent (or a child or other dependent under Age 13 whom an employee is supporting but is not entitled to claim as a dependent only because of a written declaration or decree of divorce) on the employee's federal income tax return, or

   (ii) A spouse or other tax dependent (or child that an employee is supporting but is not entitled to claim as a dependent only because of a written declaration or decree of divorce or who is physically or mentally incapable of caring for himself or herself).

3. The expenses are incurred for the care of an employee's dependent described above, or for related household services, and are incurred to enable the employee to be gainfully employed.

4. If the expenses are incurred for services outside the employee's household, they are incurred for the care of a dependent who is described in 2(i) above. If the expenses are incurred for services inside the employee's household, they are incurred for the care of a dependent who is described in 2(i) and they are incurred for at least 8 hours per day.

5. The expenses are incurred for services provided by a dependent care center (i.e. a facility that provides care for more than six individuals not residing at the facility). The center must comply with all applicable state and local laws and regulations.

6. The expenses must not be paid or payable to an employee's child who is under Age 19 at the end of the year in which the expenses are incurred.

7. The expenses may not be paid or payable to an individual for whom the employee or their spouse is entitled to a personal tax exemption as a dependent.

CHANGE IN STATUS

Generally, you cannot change your election, which you have made after the beginning of the Plan Year. However, there are certain limited situations when changes can be made. You are permitted to make a change if there is a change in status. Currently, Federal law considers the following events to be examples of a change in status:

- An employee is married, divorced, legally separated, annulment.
- An employee has a child or adopts a child.
- The death of the employee, their spouse and/or their child (children).
- The employee's spouse commences or terminates employment.
- The employee or their spouse's employment status changes from full-time to part-time or from part-time to full-time, a reduction or increase of hours, strike or lockout.
- An employee takes an unpaid leave of absence.
- A change in the residence or worksite of myself, my spouse or dependent.
- My dependent satisfies or ceases to satisfy the requirements for coverage.

The preceding events would qualify as a change in status. Unless an event is similar in nature to those listed, the event would probably not qualify as a Change in Status.

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