Save on Taxes

Through the Health Care and Dependent Care Reimbursement Accounts

The County of Orange offers you two types of **Reimbursement Accounts**: the Health Care Reimbursement Account (HCRA) and the Dependent Care Reimbursement Account (DCRA). A Reimbursement Account lets you pay for eligible health care and dependent care expenses with contributions from your pay before federal and state taxes are calculated. This reduces your taxable income. You can contribute to one or both of these accounts.

If you think that participating in a HCRA or DCRA might be right for you, check with your financial advisor to understand the benefits and tax savings associated with County Reimbursement Accounts.

About the Health Care Reimbursement Account

A HCRA lets you use pre-tax dollars to pay for qualified medical, prescription drug, dental and vision expenses you or your covered dependents have that are medically necessary but not covered by your own, or another, insurance plan. You can contribute up to a certain maximum each year, set by the Internal Revenue Service (IRS). Contact the **Benefits Service Center** to learn the current year's maximum.

You can use your HCRA for many types of expenses, from copayments for medical services and prescription drugs to eyeglasses and contact lenses.

How a HCRA Works

If you enroll in the HCRA, you will receive a debit card from Alight Smart-Choice Accounts®. The card is good for 60 months, so even if you've used up your balance halfway through the year, hold on to your card; if you re-enroll the next year, the card will be reloaded.

Your HCRA debit card can be used at providers' offices and retailers to pay for qualified expenses. You should always save your receipts in case you are asked to verify your card use.

If you choose not to use the debit card, you may still file claims with Smart-Choice Accounts and submit receipts to receive tax-free reimbursement of eligible expenses.

If You Go on Leave

If you go on an unpaid leave, you can continue to make after-tax contributions through direct billing and submit HCRA claims. If you don't contribute to your HCRA while on leave, you cannot submit claims for any expenses incurred during your leave, although you can submit claims for expenses incurred before you went on leave. If you fund your HCRA through the Optional Benefit Plan, you can continue to submit claims during your leave.

For more information, including a list of eligible expenses, please visit **https://www.irs.gov/pub/irs-pdf/p502.pdf**.

Keep in Mind...

- You must re-enroll in the Reimbursement Accounts every year during Open Enrollment to continue participating the next year.
- You can't change your contributions during the year unless you have a QLE.
- If you do not re-enroll for the HCRA next year, you will forfeit any funds left over in your current-year account.
- If you elect the HCRA next year, up to $550 of unused funds from the current year will roll over to next year's account. However, you'll lose funds over $550 if not used by year end.
- If you leave County employment or retire, you may only file claims for expenses you have incurred through your last date of employment unless you elect to continue HCRA through COBRA.

About the Dependent Care Reimbursement Account

A DCRA lets you use pre-tax dollars to pay for the care of dependent children under the age of 13 or dependents of any age who are unable to care for themselves. You can contribute up to a maximum each year, set by the Internal Revenue Service (IRS). Contact the **Benefits Service Center** to learn the current year's maximum.

Care must be provided while you and/or your spouse are at work, attending classes as a full-time student or looking for work.

You can use your DCRA for expenses such as daycare, babysitters, nursery school and eldercare, as long as your caregiver has a tax ID number. You cannot be reimbursed for any dependent care services while you are on a leave of absence.

As you plan how much to contribute, keep in mind that services for a dependent child's care are reimbursable until his or her 13th birthday. However, you may submit reimbursement claims for allowable services through the end of the year. Your child's 13th birthday is not a QLE that will allow you to change your election mid-year.

How the DCRA Works

Tax-free money from your paycheck will be deducted and credited to your DCRA. You pay your provider, then submit a claim for reimbursement. The plan works like a checking account in that you may only be reimbursed for the amount you have in your account at the time of your claim. If your claim is for more than your account balance, the rest will be paid when more money is deducted from your paycheck and added to your DCRA.

If You Go on Leave

You must be actively at work to contribute to the DCRA. Your contributions end while on any leave.

For more information, including a list of eligible expenses, please visit **https://www.irs.gov/pub/irs-pdf/p503.pdf**.