

Capital Expenditure Worksheet Instructions

Why would I need to submit a Capital Expenditure Worksheet?

When you enrolled in your Employer's Medical Expense Flexible Spending Account (FSA) Plan, you agreed to the following:

- I will only use my FSA to pay for IRS-qualified expenses, permitted under my Employer's plan, incurred by me, my spouse and my IRS-eligible dependents
- I will exhaust all other sources of reimbursement, including those provided under my employer's plan(s), before seeking reimbursement from my FSA
- I will not seek reimbursement through any additional source and
- I will collect and maintain sufficient documentation to validate the foregoing.

Fringe Benefits Management Company, a Division of WageWorks, along with your Employer, has developed these instructions to assist you in complying with this agreement by explaining how and when to use a Capital Expenditure Worksheet.

How do I seek reimbursement?

In order for incurred expenses to be reimbursed from your Medical Expense FSA, you must follow these instructions. Only the cost of medical care and Cares permitted under both IRS Code § 213 and your Employer's Medical Expense FSA plan are reimbursable. If these expenses include those Cares, procedures, medicines or items that can be provided for both a medical purpose and a cosmetic, personal, living and/or family purpose, as well as those involving some capital expenditures, additional substantiation must be submitted with your claim.

What is a capital expenditure?

A capital expenditure is an item that has a useful life that extends beyond the end of the taxable year, such as an elevator, bathtub railings, etc. A capital expenditure may be reimbursed if its primary purpose is:

- to provide medical care for you as a participant, your spouse or tax dependent for an existing medical condition and
- properly substantiated as medically necessary by showing that it would not be medically necessary "but for" an existing medical condition.

This Capital Expenditure Worksheet, along with a properly-completed Letter of Medical Need, are required when you submit a request for reimbursement of a capital expenditure. Refer also to the information in your Employer's current plan year Flexible Benefits Plan Reference Guide and on your FSA Reimbursement Request Form. For more assistance or to obtain a sample form, visit our website at www.myFBMC.com or contact Customer Care at 1-800-342-8017, Monday through Friday, 7 a.m. to 10 p.m. EST.

Note: If improper reimbursement of ineligible Medical Expense FSA expenses has been made, the corrective procedures approved by the IRS and permitted under your Employer's Medical Expense FSA Plan will be followed.

When do I need to submit a Capital Expenditure Worksheet?

If you are requesting reimbursement for the cost of a capital expenditure, you must submit a properly completed Capital Expenditure Statement with your FSA Reimbursement Request and Letter of Medical Need.

Though some capital expenditures may be deductible for federal income tax purposes, they still may not qualify as medical care under your Employer's Medical Expense FSA Plan and IRS regulations unless their medical purpose is properly substantiated. Proper substantiation includes submitting a properly completed:

- Letter of Medical Need
- Capital Expenditure Worksheet and
- independent third-party appraisal, if the capital expenditure is permanently attached to property (see *When do I need to submit an independent third-party appraisal?* for more information).

Examples of a capital expenditure include:

- 1) those not related to the permanent improvement or betterment of property (wheelchair, wheelchair ramp)
- 2) those that involve the permanent improvement or betterment of property and (central air conditioning, elevator)
- 3) expenditures made for the operation or maintenance of a capital expenditure (repairing a wheelchair, elevator inspection).

The general rules for the reimbursement of a medically-necessary capital expenditure, and the amount of the expense that may be eligible for reimbursement, are subject to the following conditions:

- Only the cost increase over the cost of the item in its normal form is eligible for reimbursement if the expenditure is a special version of an otherwise personal item.
- Only the cost exceeding the increase in the property value is eligible for reimbursement if the expenditure is an item permanently attached to property.
- The entire eligible amount is reimbursable only if the patient is the sole user of the item.
- Only a pro-rated amount of the cost is eligible for reimbursement if the item is used by the patient as well as others, whether permanently attached to property or not.

When do I need to submit an independent third-party appraisal?

If you are requesting reimbursement for a capital expenditure that is permanently attached to property, you must submit an independent third-party appraisal along with your FSA Reimbursement Request, Letter of Medical Need and Capital Expenditure Statement.

This appraisal must be prepared by a party or an entity professionally qualified to render such a determination on the increase in value (if any) to the property that the capital expenditure is attached. If the appraisal shows that attaching the capital expenditure to the property does not increase the value of the property, then the entire cost of the capital expenditure may be reimbursable. If the appraisal shows an increase to the property's value, then only the amount that exceeds the increased property value is eligible for reimbursement, subject to the Personal Use Statement calculation as described above. For example, if a permanent capital expenditure costs \$8,000 and the installation of the item increased the property's value by \$4,400, then only \$3,600 (\$8,000 - \$4,400) is eligible for reimbursement.

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Please **print** all information requested on the reverse of these instructions to ensure proper handling. At the top of the Capital Expenditure Worksheet, you must include:

- the FSA participant's name
- the FSA participant's Social Security number
- the name of the FSA participant's employer
- the patient's name and
- the patient's relationship to the Medical Expense FSA participant.

Medical Expense FSA participants can substantiate the extent to which an expense may be eligible for reimbursement by providing the requested information in the appropriate sections on the other side of this sheet with reimbursement requests. By following the steps on the reverse side of this sheet, you will be able to calculate the amount of eligible reimbursement for your capital expenditure.

If you have additional questions, or need to request a Letter of Medical Need, visit our Web site at www.myFBMC.com, contact Customer Care at 1-800-342-8017.

Note: If a medically-necessary capital expenditure is permanently attached to property, a properly completed independent third-party appraisal, provided and prepared by a professionally qualified entity or individual to make such a determination, must also be submitted with the reimbursement request.