CONSUMER DRIVEN ACCOUNTS

CLIENT ADMINISTRATION MANUAL

BASIC®

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Welcome to BASIC!

BASIC Consumer Driven Accounts (CDA) will make it easier and more efficient to implement and manage benefit accounts. At BASIC, we've created a simple, intuitive way to manage benefits. Our revolutionary CDA offering is designed around how people think rather than overcomplicated rules, helping you work smarter and faster.

At their core, many benefits work the same way: Money goes in, people request reimbursements, and money goes out. We've taken advantage of this common ground to eliminate redundant processes and platforms across all benefit types, increasing accuracy and significantly reducing administrative burdens to make benefits feel rewarding again. The higher the participation by employees in your benefit accounts, the more you will save in taxes each year. It's easy to manage your benefit accounts through our smart, easy and connected system.

CDA unifies your employee benefits into a single experience. No matter what plan choices your employees make or how your business needs change, CDA ensures you spend less time getting more: More employee satisfaction. More opportunities to make a difference. More time for focusing on what matters.

We look forward to serving you and your employees!

Get Started

Go to cdaclient.basiconline.com. *(Note: Chrome is the preferred browser when accessing your account.)*

- Before you can sign in for the first time, you must sign up for an account. Click the green sign up link at the bottom of the screen.
- Enter your email address and create your own password (use the same email address you have on file with BASIC).
- Click on the white sign in button on the right for clients.
- Enter your email address and password where indicated.
- BASIC will send you an email containing a six-digit verification code. Enter the code and click verify.
- Confirm your name and email address and click continue.
- Read the Terms of Use and click agree.
- Add your mobile number where indicated. BASIC will text you an authentication code. Enter that code where indicated and click verify. (optional)
- You are now signed up.
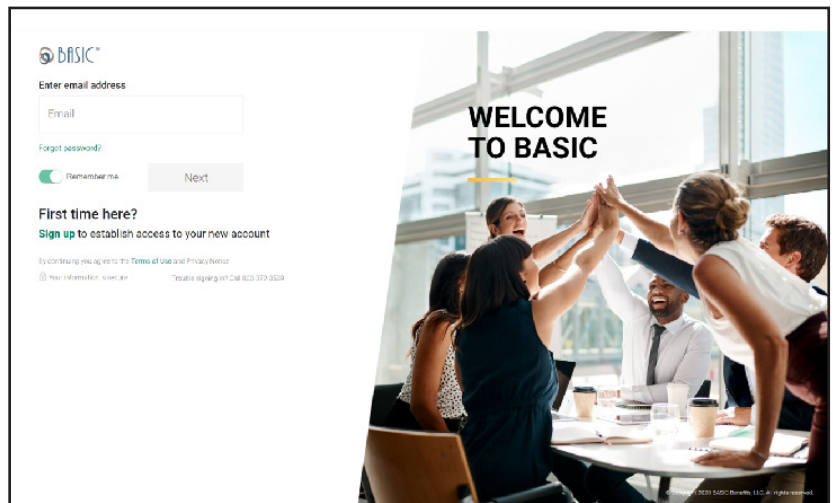
Sign In Process

Once you have successfully signed up, use the sign in function to view and work in your account going forward. The sign in process is slightly different from the sign up. After clicking on SIGN IN, enter your email address on the first screen, and click NEXT.

On the next screen enter your password and click on SIGN IN.
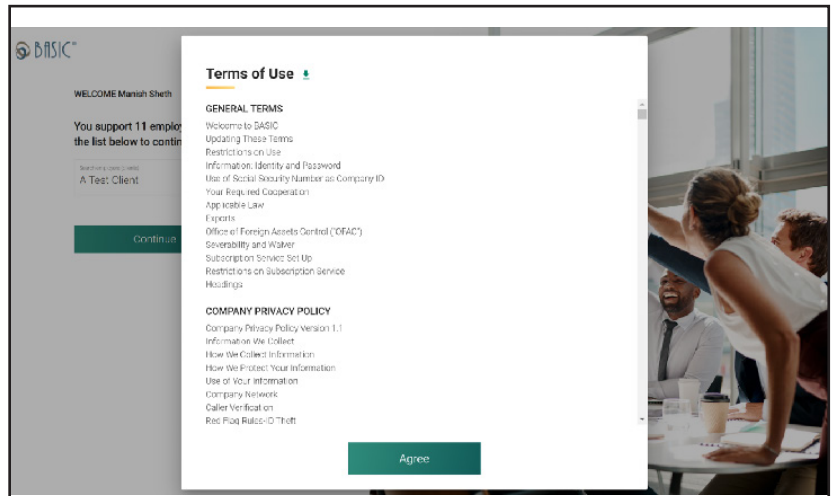
Managing Your Account Online

Once you have signed in, the first page you will see is the Overview page. This page acts like a dashboard where you can review information about your benefit plans, contributions and disbursements, reimbursement totals, summary information about your active participants, and funding transactions.

At the top right of the page, you can check Alerts, manage your profile and add additional users under the Settings tab, find support through Frequently Asked Questions, or ask for help by submitting a Support Request through the Contact Us tab.

- On the left of the Overview page, are your active accounts. Click on View All if you have more than four accounts. In the top navigation you can see Alerts that will notify you when items need your attention.
- Here you can view the contributions and disbursements for current and previous years. You can see total number of transactions for reimbursement and the dollar value, including reimbursements that require additional verification and those that are auto verified. We show the most recent funding transactions in this view, but you can see all transactions by clicking View all.
- Finally, at the bottom of the page you will find information regarding other BASIC accounts and service offerings you could use.
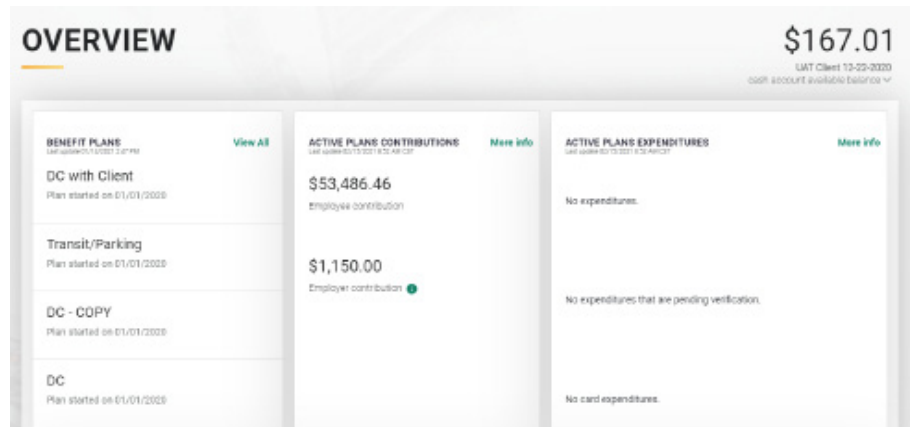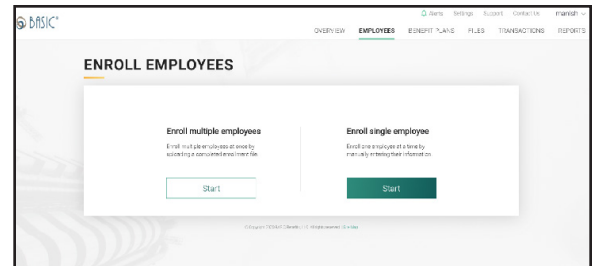
Employees

In order to enroll an employee into a benefit plan, they must first be added.

Add Employees Manually (One At a Time)

- Hover over EMPLOYEES in the menu and select Add Employees.
- Next, select the start button under the Add Single Employee section.
- Fill out the personal and employment information for the employee being added. When complete, click the Add button.
- Once an employee is added, a confirmation banner will appear at the top of the screen saying the employee was successfully added.

Add Multiple Employees Through a Census File

Retrieve the census file template:

- Select TEMPLATES from the FILES menu.
- Click the icon next to the census file template to download.
- Complete the census template as directed. Once completed, follow the instructions for uploading the completed employee-census file below.

To upload the completed employee-census file:

- Select MANAGE EMPLOYEE from the EMPLOYEES menu.
- Click the ADD EMPLOYEE button.
- Click the START button under the ADD MULTIPLE EMPLOYEES section.
- Enable the Test File switch and then upload your completed census file.
- If there are errors with the upload, the portal will notify you and allow you to fix the data before uploading it again.
- If no file errors occurred, click the UPLOAD button.

View Employees

Click on VIEW EMPLOYEES to see a complete list of all your employees. By clicking on the three dots to the left of your employees' names, you can edit multiple items, such as employee profile, personal information, employment information, employee accounts summary, employee transactions, and employee enrollment.

Enroll Employees

There are two ways to enroll your employees in an account. Enroll employees via file upload or one employee at a time. To enroll employees via file upload:

- Select FILES from the TEMPLATES menu.
- Click the icon next to the enrollment file template to download.
- Complete the enrollment template as directed. Once completed, follow the instructions for uploading the completed enrollment file below.

To upload the completed enrollment file:

- Select ENROLL EMPLOYEES from the EMPLOYEES menu.
- Click the START button under the ENROLL MULTIPLE EMPLOYEES section.
- Enable the Test File switch and then upload your completed enrollment file.
- If no file errors occurred, click the UPLOAD button.

Approve Enrollment

- Select APPROVE ENROLLMENT from the Employees Tab Menu.
- Search for the employee by name, individual ID, class, or keyword.
- Click employee name or the pencil icon next to their name.
- Edit personal information, employment information, or dependent information as necessary.

By clicking on Manage Employees you can track your employees, which accounts they are participating in, their individual ID, status, hire date, and class. Because the system contains all your benefits plans and employees in one place, you can use the filters to narrow your results and quickly find the groups of employees you're looking for. You can add a single employee as well.

Your Enrollment is Complete

Your eligible employees are now enrolled, and your accounts are in place and operating! BASIC will promptly send a Welcome Letter and Participant Reference Guide directly to each participant at their home address (or email address if provided).
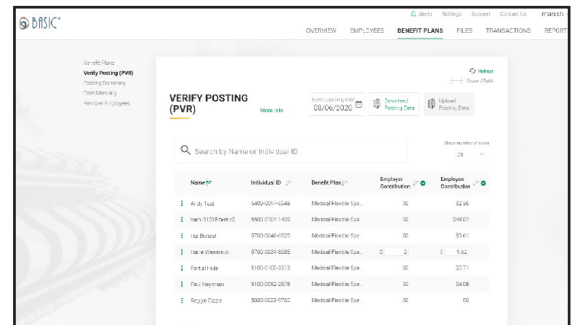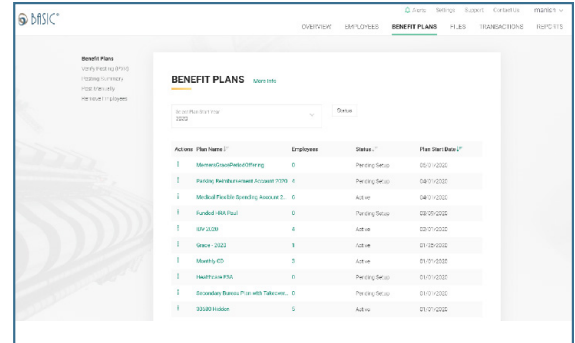
Offerings

By clicking on any of your benefit plans on this page, you can access a Plan Summary for that account. Under the Plan Summary you can access several actions.
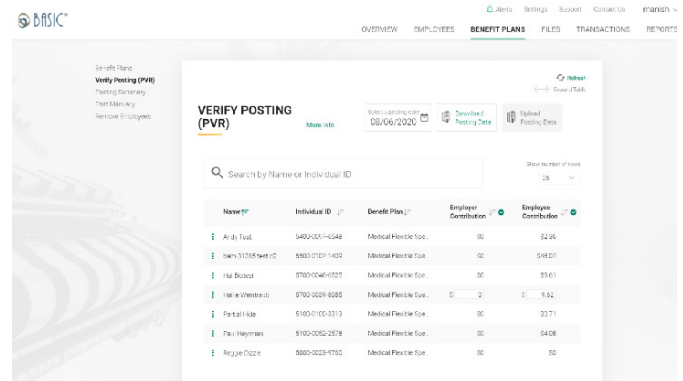
- Click on Enrollment Information to view the dates of your plan year, enrollment methods, coverage period and funding method.
- Click on Coverage Period to view your coverage information including Allow Plan Extension Period, the number of (configurable) days of the extension period, last day to incur expenses, (run out period), number of days of the run out period, and last day to submit expenses.
- Click on funding method to access your funding method, bank name, and account number.

View Plans

Click on VIEW PLANS to view your benefit plans. By clicking on the three dots to the left of your benefit plans you can access the following information: plan summary, enrollment information, coverage period, and funding method.

Verify Posting (PVR)

- Select VERIFY POSTING from the OFFERINGS Menu.
- For future posting dates, you can edit individual amounts or make changes via files upload prior to the posting date.
- Locate employee name, if participating in multiple benefit plans, click the green down arrow to see all the benefit plans and the specific contribution amounts for each.
- Make desired changes by updating the amount.
- Click SAVE.

Change Many Contributions at Once

- If you have a lot of changes to make, you can download the complete posting data file, edit the spreadsheet and then upload the new posting data file.
- To upload the new data posting file, click UPLOAD POSTING DATA button. Drag and drop the new posting data file or use the 'Browse' button. Click the UPLOAD button.

Posting & Funding

- Pick the POSTING DATE (this will populate automatically from your enrollment information)
- Download the POSTING DATA (it will be in a .csv file format)
- Make any necessary changes to data

The Verify Posting option takes you to a page to view all the Employer Contribution and Employee Deduction transaction amounts for each benefit account. The Posting Summary option takes you to a page summarizing the total contributions to all benefit plans, total employee deductions from their payroll, and the total funding from the employer. You can view and filter by date and source of each posting.

Posting Summary

Click on POSTING SUMMARY to view a summary of the Posting Verification Report. This includes contributions, payroll deductions, and funding and can be sorted by posting date and/or benefit plans.

Post Manually

Posting contribution amounts can be automated or manual processes. This option displays the expected posting. The status here is scheduled because the posting has not occurred yet. You can select the benefit plan or plans of which a manual posting can be completed. The posting process moves the funds so participants can access those funds from their accounts.

Remove Employees From a Benefit Plan

The Remove Employees option allows you to terminate an employee on a specific date, and you can check to see if the employee retired as some benefit plan options may continue into retirement. When an individual leaves employment or stops participating in a benefit plan because of a qualified life event or other change, remove them here. Dates shown below may be defaults based on your benefit plan configuration.

Important Note: Changes may be made to an Employee's Benefit Plan Termination Date, Eligibility Date, and Scheduled Date until the Termination Date.

Removing an employee from a benefit plan can be done with several different workflows. Choose the right one for you!

OPTION 1: Consumer Driven Accounts (CDA) Client Portal

1. Under Offerings, select Remove Employees.

2. Search by first and/or last name of the employee.

3. Select the Employee Name.

4. Select the calendar icon or enter the Termination Date.

    a. The Termination Date is defined as the employee's last day worked, or if still employed, the final day participating in your benefit plan(s).

5. Select the slider Change dates (the step of selecting the slider is required to activate the Submit button). Confirm the dates are correct and select Submit.

    a. Change Dates allows the employer to select the Eligibility Date and Last Scheduled Date.

        i. Eligibility Date is defined as the date in which requests with dates of service on or before the stated date will be considered.

        ii. Scheduled Date is defined as the last day in which deductions will be collected from this employee's payroll for this benefit plan.

Important Note: The system will default the dates based on the settings in the appropriate benefit plan. These dates need to be changed only for very few exceptions. By changing the default dates, there is a risk your plans might be out of compliance. If you need to change the benefit plans settings, contact BASIC. If you need to make an exception, you can still proceed.

6. One you've successfully submitted the Employee Termination Request, you will be brought back to the Remove Employees screen and a green confirmation bar will appear at the top stating, "Employee Termination request submitted successfully."

7. As a reminder, changes may be made to an Employee's Benefit Plan Termination Date, Eligibility Date, and Scheduled Date until the Termination Date. Follow the steps above to make any necessary changes.

OPTION 2: Upload a Census file or Enrollment file

CENSUS FILE: In order to successfully remove an employee via the Census file using the standard Census file template, the Employment Termination Date and Retired Date (if applicable) column information is required for each employee.

By uploading the Census file, this will terminate the participant's employment record on the date given and move them to either a Terminated or Retired status (based on the 'Retired' column). It will also inactivate any benefit accounts the participant has that are not eligible to be kept in a Terminated or Retired employment status.

ENROLLMENT FILE: To terminate only the individual benefit accounts (not terminating the individual and leaving the individual active), you may use the Enrollment File and enter an 'Eligibility End Date' field. This will terminate a participant's benefit account but will leave the employment status in its current state. The Eligibility End Date column information is required for each employee:
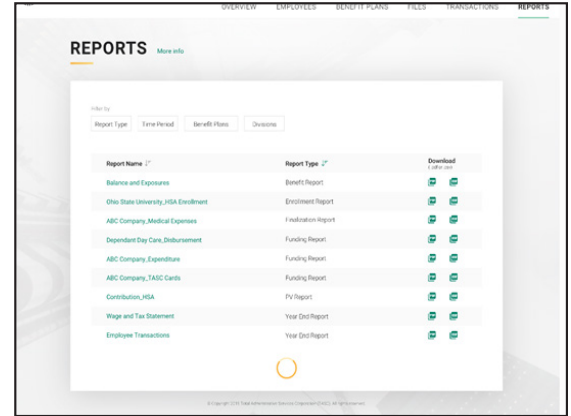
Files

The easiest way to get your employees into the system, enrolled, and manage account funding, the Files menu is where you manage these functions.

Data Files

Click on the Files tab to view and manage your data files. From the main Data Files page, you can upload files by clicking on the Upload Data Files on the right. You can search files that have been submitted, filter by File Type or by Uploaded By to narrow your results. Make sure to watch the status to ensure your file uploaded successfully. If it shows as Processed with Error, you can view where the error may have occurred.

My Documents

Select My Documents options on the left side of your screen to review and upload documents, such as your employee handbook, HR policies, employee records and more. BASIC will also upload common documents and guides to your page.

Templates

Click on Templates to access a complete set of file templates to assist you in managing your accounts. Choose from a Census file to upload a full list of your employees, an Enrollment template to complete your employee enrollment into any of your benefit plans or download the Posting Verification file template to complete prior to each of your payroll dates.

Once you download the appropriate file template, complete the file with the required information, save it, and then upload the file for processing. Make sure to name the file exactly as specified using your client employer ID number_file type_and date.
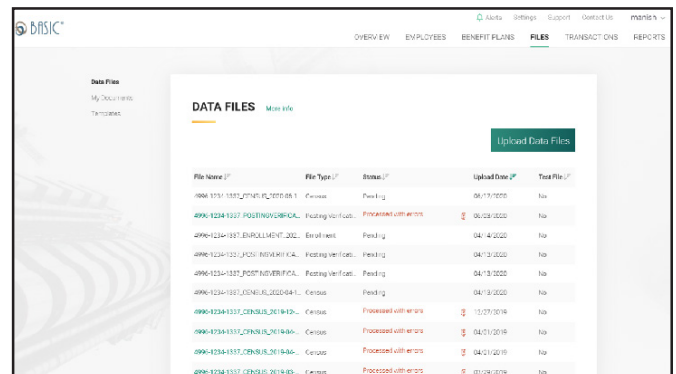
If you use a third-party vendor to generate and submit your files, BASIC will work directly with the vendor to create a process for accepting and processing the file.

Click on the File Contacts option to access a list of your contacts with your organization or a vendor contact complete with Contact Name, Contact Types, Email, Phone Number, and Extension.

Transactions

Click on *TRANSACTIONS* and choose from the following drop-down options: funding transactions, billing transactions, invoices, payment, and credit memos.

Reports

Reports can be run at any time, but are not auto-generated.
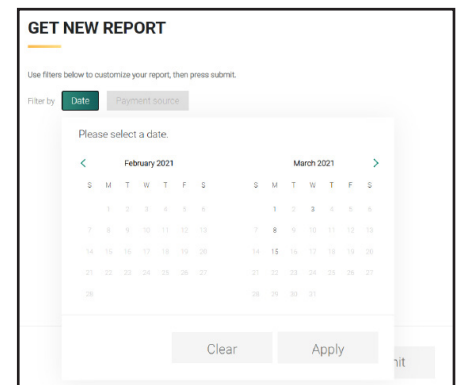
You can access a variety of the reports on this page. Filter your results by Report Type, Time-Period, Benefit Plans, and Divisions to locate the desired report quickly. Once located, you can download any of th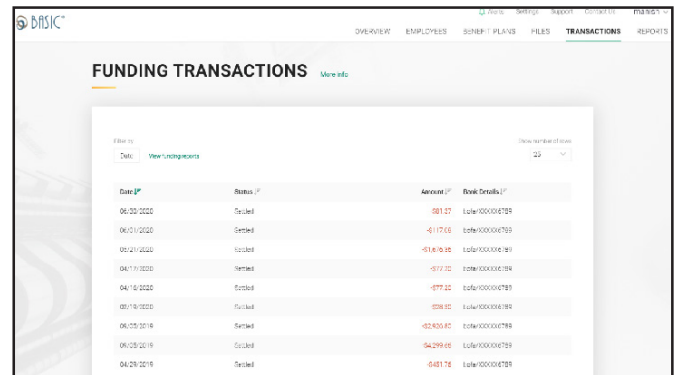e reports as either a PDF or CSV file with contributions, within IRS limits, for the plan year. Contributions are deducted throughout the plan year.

Enrollment Report

- From the Overview page, hover over REPORTS on the upper right-hand side of the menu and select Enrollment from the dropdown menu.
- The Enrollment Reports landing page shows past enrollment reports you've requested. To obtain a new Enrollment report, click "Get new report".
- There are options to run the report by Date Range or Benefit plan. Choose benefit plan for an enrollment report on a specific benefit plan, and choose date range for an enrollment report on all benefit plans within a specified date range. When filtering by Date, click on Date Range and select your start and end dates that you want to include in the report. Click Apply and Submit.
- Once your report is requested and ready, it will appear in the Enrollment Reports landing page. You may need to refresh your browser. Click the green icon to the right of the report to download.

Request Payment Detail Report

- From the Overview home page, hover over REPORTS in the upper right-hand corner and select Request Payment Details from the drop down menu. This will take you to the Reports landing page.
- Select Get new report.
- Click on Date Range and enter the desired start and end date. Date Range starts grey and will turn green after a date is selected. Click Apply.
- To get paid claims from a prior month, your date range must include the first day of that month and the first day of the following month. For example, to get all January 2021 transactions, your date range should be 1/1/2021 – 2/1/2021.
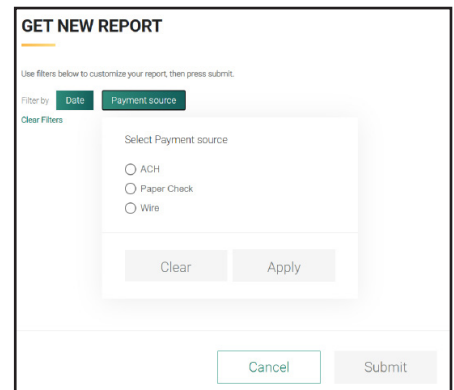
- Click Benefit Plan, select the applicable benefit plan(s). Click Apply.

- Click Submit to run your report.

- You will see a green status bar that indicates your report has been requested and you will be notified when it is ready.

- Once the report is ready, you can go back to the Request Payment Detail reports landing area and download your report via the small green icon.

- If your report is empty, then there were no transactions for the date range you selected.

Funding Report

To view transactions that have settled to your bank account, follow these step-by-step instructions.

- Select Get new report.

- You may filter your report by Date and/or Benefit Plan.

- To filter by Date, select the Date for which you wish to view enrolled Benefit Plan participants.

- Select Apply.

- Select Submit.

- To filter by Payment Source, select ACH, Paper Check, or Wire.

TIP: This selection should equal the payment source for the selected Date Range. If the payment source varies by date, a separate report will have to be generated by each date and payment source type.

- Select Apply.

- Select Submit.

- The report window will close, and you will return to the Enrollment Reports screen.

- You will see a green banner appear at the top stating, "Your Report has been requested. You will be notified once it is ready."

- Once the report is ready, your new Enrollment Report will appear at the top of the Enrollment Report list.

- Each Report Name is labeled with the date and time the report is run.

- If you do not immediately see your Enrollment Report at the top of the list, right click and Refresh/Reload the page; a log out and log in may also assist with populating the report list with your latest request.

- Select the Page icon to download the Enrollment Report as a CSV file. Save the file to your desired location.

Settings

Under the Settings tab you manage and make edits to the specifics regarding your account. This includes your Profile, Manage Users, BASIC Card, Payroll Schedule, Bank Accounts, and Sign In and Security.

Profile

By clicking on Profile you can view your employer ID number, EIN, Client Name, Federal Filing Status, and your Primary, Billing and Shipping Addresses. Make sure all this information is correct and current. Call or submit a support request to make changes to your profile.

User Access Roles

We understand that kind of across-the-board access may not be the best fit for everyone, however. You might have someone in your office whose job is to handle enrollments, or you may work with an external vendor who uploads your census. We've created eight user roles that let you define the level of flexibility you need for your team. To assign users access role, click on *Setting* at the top of your screen, and then click on *Manage User*. On the next page, click on *Setup User Access* in the green box. On the next the page to manage your user click on *Add New User*, using the search function to locate additional users.

Once you have added users, you can assign access roles. The choices are listed below. To select the option, just select a user, click on the appropriate role and click on *Save*. Continue this process until you have assign all the user roles you want.

- Administrator—All CDA functionality. There must be at least one administrator for your account – typically you, the primary contact.
- Benefit Plan Manager—All functionality except billing. Users in this role can access everything an administrator can, with the exception of billing transactions. Only the benefit plan manager and the administrator can add or update user access. Employee Manager—Add and enroll employees. Can also approve enrollments, upload documents and view reports.
- File Specialist—Download templates and upload data files. All other users come to the overview upon signing in, but the file specialist only sees the download and upload screens, making this highly specialized role ideally suited for outside vendors who manage your files.
- Financial Manager—View financial transactions. This includes posting verification and summaries. Can also request new reports.
- Billing Manager—View billing transactions.
- Reports Manager—View reports. Can also request new ones.

Some functions remain open to everyone. All users can:

- Manage their own access (two-factor authentication, password changes, etc.)
- Find support online (submit a support request and view documentation, and FAQs)
- Receive alerts

All contacts can call our Customer Service team, but it's important to note that their designated role will tell us what kind of information we should be sharing with them. Just as with the online experience, users will receive support appropriate to their level of access.

BASIC Card

You can view your BASIC Card by clicking on BASIC CARD. Here you can see which accounts your BASIC Card is enabled for and how the Card is mailed.

Payroll Schedule

Click on PAYROLL SCHEDULE to view all employee payroll schedules and frequencies. Please contact us if you need to add, remove, or modify a schedule.

Sign in & security

Lastly, click on SIGN & SECURITY to control your sign-access and two-factor authentication. Two factor authentication will prompt you to enter a code every time you sign in. Why? With your sign-in, you have access to employee's Personally Identifiable Information (PII) and Protected Health Information (PHI). To help ensure the security of that information, two-factor authentication is required. Click on either CHANGE PASSWORD or CHANGE PHONE NUMBER to edit.

Depletion Ordering

When employees enroll in more than one benefit plan, any requests submitted can be paid out based on an order you choose.

Support

CDA makes it easy to receive support from BASIC. Click on SUPPORT to track your support requests, to access some Frequently Asked Questions (FAQs), and to access some CDA Documentation.

Contact Us

Click on CONTACT US tab to access the multiple ways for contacting BASIC for assistance. On the Contact Us page you can choose the topic and sub-topic drop down menus. We will then display the best ways for you to contact us.
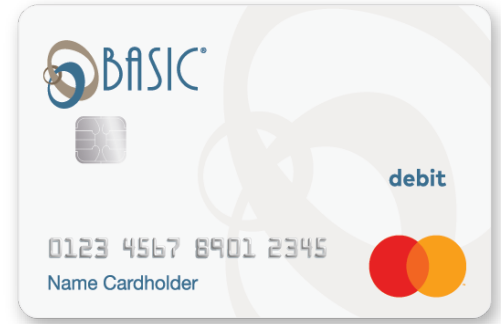
Plan Documents

For certain benefit plans, such as a Section 125 Cafeteria Plan, to be compliant and maintain the tax advantage, regulations require an employer to officially adopt and maintain the plan pursuant to a written plan document. If this requirement applies to your plan and as a new client your services include BASIC standard plan documents, BASIC will provide you with the appropriate documents for your plan. If you are an existing client and you need plan documents, they will be provided upon request. BASIC recommends updating your plan documents annually at plan renewal to ensure you have the current terms for your plan. BASIC will reach out to you at renewal to see if you have had any changes to your plan that requires an update to your plan documents.

Summary Plan Description

A Summary Plan Description (SPD) is a summary of the benefit(s) your company selected in the BASIC CDA service agreement. In accordance with IRS regulations, the SPD must be provided annually to all employees who are eligible for participation in your plans subject to ERISA. If your plan is not subject to ERISA, your plan will have a benefit Summary Description to provide to employees. As a new client, once your benefit plan is completely set up, the applicable document for your plan will be provided to you (when your service includes BASIC Standard plan documents). If you are an existing client and you need plan documents, they will be provided upon request. Distribute a copy of the SPD, or Account Summary, to all new hires, as well as employees who may become eligible for the plan in the future.

Plan Documents and Renewals

Important: BASIC recommends making any updates at each plan renewal to ensure you have the current terms for your plan. BASIC will reach out to you at renewal to see if you have had any changes to your plan that requires an update to your plan documents.

Plan Finalization

Within 67 days after your Plan's Runout End Date has been reached, BASIC completes the final review of the Plan and the Plan status changes to Finalized. At this time, an email is sent to the Primary Contact indicating the final balance of the Plan. Plans with a negative balance will have an invoice generated. Positive balances will be moved to the Client Available Balance Account and used to pay open invoices if applicable. You may then request the final amount to be refunded to you. Be sure to watch for the Finalization email with more details.

Non-Discrimination

Benefit plans, such as those offered under a Section 125 Cafeteria Plan, are required to be offered to employees on a non-discriminatory basis. Employers that selected benefits subject to this requirement should complete BASIC's Non-Discrimination Testing on an annual basis. It is important to review your plan's non-discrimination status early in the plan year to allow for corrections prior to the end of the plan year, if needed. Visit www.basiconline.com/hq/employer/basic_cda/non-discrimination-testing/ for instructions. *(Password: ndt230)*

Form 5500

In general, employers with 100 or more employees (including former employees, COBRA participants, retirees) who are participating in any health and welfare benefits plan as of the first day of a plan year must complete an Internal Revenue Service (IRS) Form 5500. Compliance is the employer's responsibility and failure to file an annual return can result in penalties. The deadline to file a Form 5500 is the last day of the seventh month after the plan year ends. If needed, a one-time extension may be requested by filing IRS Form 5558 by the date of the original filing deadline.

Employers may file a consolidated Form 5500 with their other benefits or file one separately for your each specific BASIC benefit. BASIC will reach out on an annual basis to confirm if we are to prepare the Form 5500 on your behalf. If we were previously told you were filing a consolidated Form 5500 with other benefits we will not reach out to you and it would be the employers responsibility to inform BASIC of the the need to prepare the Form 5500.

CDA Features

Alerts

Every time you sign in to your account online you may notice some alerts. Alerts are our way of calling attention to some matters concerning your account that need action. You can access your alerts by clicking on the alert tab at the top of the screen. You will also see alerts posted next to the item needing attention, such as a reimbursement, transaction or contribution. You can also select how you wish to receive alerts.

Audit Guarantee

BASIC will support and assist any enrolled employers or participants who adhere to our Plan procedures and parameters and nevertheless, have their Section 125 challenged by the IRS. We will provide if requested:

- Plan Documentation (BASIC standard documents) and Communications
- Claim and Account Information
- Form 5500 Filing Information
- All other necessary information regarding BASIC or other filing requirements related to the account

Additionally, if all procedures are adhered to, BASIC will assume financial responsibility for any penalty and/or interest charged because of an audit that results in the payment of additional Federal, State, Social Security, or Medicare tax as these pertain to BASIC. BASIC will also assume financial responsibility for any penalty issued by the Internal Revenue Service or Department of Labor for untimely reporting or lack of reporting as these pertain to BASIC.

Client Cash Account

When an employee leaves funds in a benefit account at the end of the year that cannot be rolled over, what happens? As an employer you may receive a check that you need to process to recoup these funds. Instead, we've created a way that saves a step (or three) by having these dollars directly deposited into a Client Cash Account. Think of it as "in-store credit" you can allocate back to the specific employee to use for additional benefits or help pay for the employee's benefit for the next fiscal year. Even better, utilize the full potential of CDA and offer a totally new account offering of value by using all the leftover funds to create an Employee Crisis Account or Workplace Giving Account that gives back to your employees and community. This amount is available on the overview page.

My Documents

My Documents gives you the ability to store your benefit related documents online for easy secure storage and ready retrieval. Here, you can see a complete history of all such uploads – note the Call to Action, with a link to download a status report. It's convenient storage for your own internal HR documents and reference materials.

Role Based Security You'll have the ability to create user access roles for the other members of your team. Whether that's your coworker in another area of the business, like Finance or Compliance; your boss; or even someone outside your company, like a vendor or distributor, you can control what areas of the experience they'll have access to, selecting from a list of roles to ensure everyone can do what they need to do. It's as simple as checking a box.

Business Processing Timeline

Event	Event Title	Time Allotted	Responsibility
One	Submit BASIC CDA Setup Packet & Agreement with fees.	Varies*	Broker/Employer
	BASIC receives BASIC CDA Setup Packet & Agreement, set up fees, and reviews, and assigns ID. Plan status changes to Setup.	3-5 days (Client)	BASIC
Two	BASIC assigns, creates plans, and enrolls participants. Welcome email is set with sign in instructions.	2 weeks	BASIC
	The plan is initiated and BASIC Cards are issued to participant Participants receive a Welcome email that contains sign in information.	2 weeks to receive	BASIC
Three	Participant accounts are open and reimbursements for qualified expenses for the current plan year begins.	1+ days	BASIC and Post Office
Four	If required by the plan, Employer reviews and approves plan contributions and funding using the Posting Verification Report (PVR) online.	Varies*	Employer
	If employer submits PVR and paper check to BASIC, PVR is received at BASIC and it is edited, entered, and posted to accounts. Note: Claims for Dependent Care FSA, Non-Employer Sponsored Insurance Premiums, and Transit/Parking expenses may begin at this point.	1 day (Clean) or 2 days (Unclean)	BASIC
Five	Employer prints Summary Plan Description (SPD) or applicable Account Summary and distributes to all eligible employees.	Within 90 days of plan start date	Employer

BASIC cannot state the number of days this event will require, as the responsibility for this event is beyond BASIC's control.

BASIC Card

The BASIC Card features two accounts on one card—benefits for employee benefits purchases—and MyCash for cash reimbursements.

The BASIC Card looks like a typical debit card, but is used as a credit card for eligible expenses, based on the funds available in a participant's benefit account. Card purchases are limited to the accounts elected, and to merchants with an inventory information approval system (IIAS) in place to identify eligible purchases. At the point of purchase, the IIAS automatically approves the purchase of eligible items and payment is made automatically to the authorized merchant from the participant's benefit account.

MyCash
BASIC Card holders who do not use their BASIC Card to pay for an eligible benefit expense may manually submit a request for reimbursement (online, mobile device, fax, or mail). Reimbursement for the out-of-pocket benefits expense will be deposited in the participant's MyCash account. MyCash funds can be accessed in three ways: (1) swipe the BASIC Card at any merchant that accepts major credit cards, (2) withdraw at an ATM (with a PIN) using the BASIC Card, or (3) transfer to a personal bank account from BASIC. Funds in MyCash can be spent any way and anywhere; purchases are not limited to a merchant or by type of expense.

Participants may choose to direct deposit their MyCash funds to a personal bank account by clicking Set Up Direct Deposit from BASIC. If a check is preferred, the participant can set up a transfer to a paper check from Schedule MyCash Transfer in BASIC. (A check convenience fee may be applied per check.)

NOTE: Participants can set a schedule to transfer their MyCash funds to their bank account. However, they must have a minimum of $25.00 in their MyCash account to be able to set up a schedule and transfer money.

When will my participants receive their cards?
BASIC Cards will be issued to participants 10 days following the completion of the enrollment. This delay in no way affects a participant's ability to access their account funds. Participants can submit a Request for Reimbursement (via the BASIC benefits app, the online Request for Reimbursement form, fax to 1-269-327-0716, or mail) to process claims prior to receiving their BASIC Card.

How is the card issued?
The BASIC Card will be mailed directly to the participant's home address along with the Cardholder Agreement. A PIN is required if a participant would like to access their MyCash funds via an ATM using their BASIC Card. A PIN can be obtained online: sign in to CDA (https://cdaclient.basiconline.com) and click MyWallet. A participant may request one card for a dependent at no charge. A $10 fee is charged for additional cards. To request a dependent card, sign in to BASIC and click Manage My Card, then press the Request Card button under Dependent Card(s).

NOTE: You are not allowed to order a new BASIC Card on behalf of a participant.

How can a lost/stolen card be replaced?
Participants must notify BASIC immediately to report a lost or stolen BASIC Card. To do so, (a) sign in to CDA (https://cda.basiconline.com) and click Manage My Card, then press the Reissue Card button, and select Lost/Stolen as the reason for reissue; or (b) submit an online Service Request (from BASIC, click Contact Us); or (c) call Customer Service at 800-372-3539. A new card will be issued within 7-15 days and a $10 reissue fee will be automatically withdrawn from their account (pre-tax).

How do I add a new employee and notify BASIC when an employee terminates?
Following successful enrollment, new participants will be automatically issued a BASIC Card. The participant's BASIC Card remains active until you notify BASIC of the participant's termination or cancel the plan. Upon notification of termination or on the effective date of a plan cancellation, the benefit account will be automatically deactivated. Once the card has been deactivated, a participant can access available benefits funds by requesting reimbursement using one of the alternative Request for Reimbursement submission methods (fax, mail, or online).

The MyCash account is handled differently. While the Benefit account is deactivated upon termination, the MyCash account stays available until all funds are depleted. Even when your employee benefit plan grace period has expired, the participant may continue to access their MyCash funds via their BASIC Card indefinitely. To do so, the participant must simply cover a monthly $5 account maintenance fee. To close the MyCash account, the participant should spend, transfer, or withdraw their funds within 90 days of termination.

BASIC benefits app for your Participant

The BASIC benefits app is a fast and accessible account management tool for your participant's accounts! With BASIC benefits app, your participants are now able to securely access their account(s) balances from anywhere at any time using their mobile device.

BASIC benefits app Features:

- Submit a request for reimbursement for out-of-pocket eligible expenses.
- Upload pictures of receipts with phone camera.
- View real-time account balances and transactions for active and closing plans and MyCash account.
- Review account information and annual contributions.
- Securely sign in to https://cda.basiconline.com with username and password.

BASIC Consumer Driven Accounts

HEALTHCARE ACCOUNTS

Healthcare Flexible Spending Account

A Healthcare Flexible Spending Account (FSA) is one of the qualified benefits that may be offered under a Section 125 Cafeteria Plan. The cafeteria plan provides employers the ability to help employees pay for certain expenses with pre-tax dollars. Participants in the plan elect or set aside pre-tax dollars to pay for their out-of-pocket healthcare expenses. The amount deducted from the participant's salary to pay for these expenses is called an "election." These pretax payroll deductions allow participants to be taxed on a lower gross salary, thereby saving them money that would otherwise be spent on federal, state, and FICA taxes (will vary by State). As the employing company, you reduce your portion of FICA taxes (7.65 percent for every dollar a participant pre-taxes through the FSA).

Section 125 Cafeteria Plan Documents

For a cafeteria plan to be compliant and maintain the tax advantage, regulations require an employer to officially adopt and maintain the plan pursuant to a written plan document and provide a Summary Plan Description (SPD) to all eligible employees. As a new client if your service includes BASIC standard plan documents, BASIC will provide you with the appropriate documents for your plan. If you are an existing client and you need plan documents, they will be provided upon request.

Whenever there are changes to your cafeteria plan, that require the plan document to be updated, those changes must be officially adopted to be tax-advantaged. The SPD might also need to be updated and re-distributed.

Eligibility Requirements

FSA regulations require all participants to be employees of the employer, and eligible for the group health plan. As such, eligibility to participate is generally limited to common-law employees of the employer and the specific eligibility requirements for the plan are set out in the plan document and summary plan description. It is important to note there are individuals who are specifically excluded from participating in an FSA. For instance, a sole proprietor or owner of a LLC may   sponsor an FSA; however, the owner(s) are not considered an employee and thus may not participate. In addition, more-than-2% shareholders of an S-Corporation are not eligible to participate and due to attribution rules, the shareholder's spouse, children, parents, and grandparents are also excluded from participation.

How a Healthcare FSA Works

Employees may enroll in Healthcare FSA at the start-up of a new plan or at the time they first become eligible for a plan. During enrollment, all participants must choose their election(s) for each benefit account in which they will be participating for the plan year. Elections are specific to each benefit type, meaning that dollars set aside for dependent care can only be used for dependent care and not for healthcare expenses, etc. With a section 125, you (employer) deduct the FSA-elected amounts for the reimbursement benefits from each participant's payroll (pretax) and deposit the withheld amounts to BASIC. BASIC maintains these funds in an account until the participant requests a reimbursement (via BASIC Card or manual request). Section 125 also allows you to deduct the employee's portion of group-sponsored premiums under the plan, when elected. You send these premium contributions, along with any employer portions, directly to your insurance provider. They are not maintained or tracked via BASIC, however we include the language allowing these deductions to be pre-taxed in your documents.

Nondiscrimination Requirements

A healthcare FSA is subject to nondiscrimination requirements. Please refer to the information under the Nondiscrimination Requirements section of this manual.

Form 5500

A healthcare FSA is subject to the Form 5500 requirements and may be required for your plan. Please refer to the information and instructions under the Form 5500 section of this manual.

HIPAA Requirements

Because of the Health Insurance Portability & Accountability Act (HIPAA), employers who sponsor a health reimbursement plan are subject to regulations that ensure the privacy and confidentiality of individual health information, otherwise known as Protected Health Information (PHI). The HIPAA Compliance Manual provides information regarding the requirements and regulations of HIPAA.

Transitional Period

Following the end of the plan year is considered the transitional period. This is usually 90 days. During this time, the participant may continue to submit Requests for Reimbursement for FSA expenses incurred during the previous plan. The plan year officially closes following the end of the transitional period.

Carryover Option for Healthcare FSA

At the end of the plan year, you may allow a Carryover in which participants may carryover a portion of their unused Health FSA balance (up to $550) to the next plan year, even if the participant did not re-enroll. Any unused Health FSA funds (exceeding the Carryover maximum) are forfeited to the employer. Carryover occurs after the Transition Period (Claims Runout Period) end date. During the Runout Period, participants in past and current plan years may request reimbursements from both respective plan years. The correct service date must be entered to ensure accurate reimbursements. The system will move carryover funds the first day of the plan year. If a participant submits a claim for a past plan year, the system will deduct accordingly.

NOTE: Participants who did not re-enroll in the account will have a zero for their annual election and Carryover funds will be included in their available balance for the new plan year. Because the Carryover accords participants a $550 safety net, it's strong motivation for them to contribute at least $550 or increase annual election amounts.

UPDATE: Consolidated Appropriations Act, 2021 permits any amount of unused contributions from plan years ending in 2020 and/or 2021 to be carried over into the next plan year. Note: The carryover amount will not be subject to the annual IRS contribution limit for that plan year, even if the combined total with plan election exceeds the limit.

2.5 Grace Period Extension Option

During the 2.5 Grace Period Extension, participants may continue to incur and submit eligible expenses against the just-ended plan year. Your current Claims Runout Period will remain the same, and will run concurrently with the Grace Period.

Please be aware that because the accounts may remain open past the end of the plan year, it is important that you are mindful of possible financial impacts to you:

- BASIC will invoice for your participants who remain in the plan during the 2.5 Grace Period Extension (an additional two months and 15 days).
- This fee reflects our need to manage and administer your participants' accounts for the 2.5 Grace Period and the Claims Runout period.
- Finally, we note that these fees do not affect clients with flat fee invoicing or those billed annually.

- To switch to annual invoicing, contact Customer Service.

A participant may request reimbursement any time a qualified expense has been incurred. The service related to the expense needs only to have taken place; it need not be paid before requesting reimbursement. The participant may only claim reimbursement for:

- eligible expenses incurred during the applicable plan year, or subsequent 2.5 Grace Period (if applicable);
- expenses incurred by eligible participants; and
- for expenses that have been neither previously reimbursed under this or any other benefit plan, nor claimed as an income tax deduction.

It is the participant's responsibility to comply with these guidelines and to avoid submitting duplicate or ineligible requests. Failure to comply may delay reimbursement payment.

UPDATE: Consolidated Appropriations Act, 2021 extends the grace period for participants to request reimbursements from their remaining balances for up to 12 months after plan year-end for plans ending in 2020 and/or 2021.

Request Verification

All reimbursement requests must include verification. Upon receipt of the reimbursement request and verification, BASIC will verify the expense and process the request. Any request that fails verification will be denied. If payments for ineligible expenses or request overpayments occur, BASIC will hold the participant responsible for refunding those amounts back into their account. The resolution process can be found in the BASIC CDA Service Agreement.

Daily Claims Processing and Payment

BASIC processes Requests for Reimbursements daily and payments are initiated within 48 to 72 hours of receipt of a complete and accurate reimbursement request. All reimbursements are deposited directly into a participant's MyCash account, unless otherwise instructed. Participants with bank direct deposit must check with their financial institution for deposits of FSA funds. BASIC is not responsible if a participant's bank account is assessed non-sufficient funds fees in anticipation of required deposits to cover Requests for Reimbursements.

Availability of Funds

For reimbursements under the Healthcare FSA, the full annual election is available for reimbursement at the start of the plan year.

Availability of Funds: Uniform Coverage Rule

In accordance with the IRS Uniform Coverage Rule, a participant's total annual Health FSA election amount must be available at all times during the participant's period of coverage (less any prior reimbursements). Therefore, a participant's Health FSA annual election cannot relate to the amount contributed to the Health FSA during their active coverage period and any negative contribution balances are the responsibility of the employer. In sum, when a participant terminates their Health FSA and the reimbursements to the participant exceed the amount of contributions taken, the employer is responsible for funding the difference. This is the employer's part of the risk feature required of a Cafeteria Plan. The risk to the participant is when they are not able to use all of the funds they contributed to the plan (the Use-or- Lose Rule).

Ordering Rules for HRA Plans with FSA

If an employer has a Health Reimbursement Arrangement (HRA) along with their Health FSA, certain ordering rules apply to reimbursements. Although BASIC's standard is that the HRA would pay first, the employer chooses the ordering rules at plan set up.

Health Reimbursement Arrangement

BASIC Health Reimbursement Arrangement (HRA) offers employers Accounts designed to work in conjunction with a company-sponsored group health insurance plan. An HRA is the right choice for employers who want to allocate a set dollar amount for employees to use on their healthcare expenses, or for employers who offers an Account that covers a specific type of medical expense such as deductible expenses.

Our HRA plan design offerings are standardized to seven (7) basic types:

- Deductible Only Expenses
- Deductible/Rx Expenses
- Deductible/ Coinsurance Expenses
- Deductible/Co-pay/Rx Expenses
- Uninsured Medical (213d) Expenses integrated with a health plan
- Deductible/Co-pay/Coinsurance/Rx Expenses

Explanations of Benefits or an itemized statement are required as follows:

Deductible and/or Coinsurance

- An Explanation of Benefits (EOB) must accompany all Requests for Reimbursement evidencing the expenses as applicable to the insurance deductible or coinsurance amount.
- An EOB or Itemized Statement must accompany all Requests for Reimbursement for evidence the expense as applicable to reimbursing 213(d) expenses.

IMPORTANT: There are 3 additional compliance requirements for QSEHRA:

1. The law requires the employer to obtain proof that their employees have Minimum Essential Coverage. This is used to determine when the benefits under the Qualified Small Employer HRA are taxable income. The QSEHRA benefits are taxable income for any month in which the employee is not covered under Minimum Essential Coverage. BASIC provides a certification on its enrollment form for you to use.

2. The Maximum Benefit under the QSEHRA is reported on the W-2 Form. Check with your tax or payroll advisor to determine how this is reported.

3. There is a notice requirement for every employee who participates which BASIC will provide.

Plan Funding Arrangement

Unique in the industry and available to BASIC clients only is the BASIC Funding Arrangement. This distinctive fund management program allows employers to advance reimbursement payments to employees before the full reimbursement amount is present in their account. BASIC and not the employer fronts the necessary funds to reimburse employee requests. BASIC HRA clients use the Funding Arrangement as an effective budgeting tool. Gone are the financial management issues that may arise when the necessary funds must be collected in advance to cover the occasional spike in employee requests. BASIC manages request volatility without disrupting reimbursements to employees.

Establishing the Funding Arrangement

When an employer establishes an HRA Plan, he/she assumes the risk that all insured may reach the Account maximums; this does not happen often. At the beginning of each Plan Year, a Funding Arrangement amount is established based on an estimated utilization factor. The utilization factor varies depending on the benefits offered and is designed as a floor amount, thus allowing the employer a way to establish their personal comfort level related to Account risk.

Once established, this set monthly amount is transferred from the employer's account directly to BASIC via ACH. These funds are used to pay employee reimbursements. BASIC will pre-fund participant reimbursements even when funds are insufficient in an employer's account at the time of the request. If an employer's plan experiences monthly requests that are less than the monthly funding amount, the fund balance will be held in the employer's HRA account. If during the year claim utilization exceeds the annual plan funding, BASIC reserves the right to require an employer to fund all requests exceeding the annual plan funding.

On a quarterly basis, BASIC will do an official review of the employer's claim utilization and compare it to the Plan Funding Arrangement. On a monthly basis, BASIC will do a quick review to ensure that the Plan is not in a negative balance. At either of these reviews, BASIC will determine if there are necessary adjustments to the Plan Funding Arrangement. If it is determined that claims experience exceeds funding received, the client will receive an email indicating the amount due that will be taken

by ACH debit for the difference between reimbursements paid and the funding received. To ensure that you are up-to-date with your current reimbursements utilization status, all employers are encouraged to review the reimbursement history web tools and reports located online. Our easy-to-use web is available for you in real time, 24/7.

CMS Reporting Requirements for HRA Plans

As part of the Medicare, Medicaid, and SCHIP Extension Act of 2007, the Centers for Medicare and Medicaid Services (CMS) require Health Reimbursement Arrangement (HRA) reporting under Section 111. BASIC will serve as the Responsible Reporting Entity (RRE) for all eligible HRA Plans.

CMS reporting for HRA Plans is required for those Plans with the following parameters:

- An annual benefit value of $5,000* or more.
- 20 or more employees.
- Employers who participate in a multi-employer Group Health Plan with a combined 20 or more employees.
- Employers who have covered an individual on their Plan who is receiving dialysis or has had a kidney transplant.
- Reporting is exempt for HRA Plans with the following parameters:
- An annual benefit value of less than $5,000
- Less than 20 employees
- Retirement plans
- COBRA plans
- Non-medical plans such as dental and vision plans

BASIC is required to report on any Active Covered Individual who is either:

- 45 years old or older;
- Receiving kidney dialysis or who has received a kidney transplant, regardless of their own or a family member's current employment status; or
- Entitled to Medicare and has coverage based on their own or a family member's current employment status.

An Active Covered Individual is defined as someone who may be Medicare eligible and currently is employed, or an employee's spouse or other family member who is covered by said employee's Group Health Plan and who may be eligible for Medicare and for whom Medicare would be a secondary payer.

Along with basis demographic information, we will require the following information to be provided to us so that we can fulfill the requirements of CMS HRA reporting.

- Employee Social Security number
- Employee date of birth
- Spouse date of birth
- Spouse Social Security number
- Date of birth, Social Security number, and HICN number (if available) for any known dependent that is currently covered by Medicare

NOTE: While CMS reporting requirements mandate that we include Social Security number and date of birth, this information will not be used for any other purpose and will not be included on any participant forms we generate. More information regarding CMS reporting can be found at www.cms.gov.

*The benefit value includes funding deposit amounts rolled over from the previous year's coverage. BASIC will provide a limited enrollment version for Qualified Small Employer HRAs in which we don't require the full data set captured for CMS reporting required plans.

Summary Benefits and Coverage Requirements

- The Departments of Treasury, Labor, and Health & Human Services (HHS) have released regulations regarding the Patient Protection & Affordable Care Act (PPACA) requirement to distribute a uniform explanation of coverage. Per the regulations, group health Plans and health insurance issuers must distribute an easy-to-understand Summary of Benefits and Coverage (SBC). As a self-funded group health Plan, your BASIC HRA Plan is subject to the SBC requirements.
- BASIC will work with you to ensure that your HRA Plan remains in compliance with this important requirement. Please carefully review the below details to ensure that you are ready for this regulation.
- This requirement begins for the first open enrollment period that commences on or after September 23, 2012.
- BASIC will provide the SBCs along with your Summary Plan Description (when included in your service option) for new HRA Plans, and at Plan renewals.
- BASIC will provide the SBC to the employer, who will be responsible for distribution to the required employees and dependents.

- You must distribute the HRA SBC at open enrollment (renewal): If you distribute written materials for enrollment (in paper or electronic form), the SBC must be provided as part of those materials. If no HRA materials are distributed, then the SBC must be provided no later than the first date a participant is eligible to enroll in coverage; at special enrollment: Within 90 days after special enrollment; this rule applies to the Summary Plan Description as well, or on request: No later than seven business days after request.
- Who needs to receive the HRA SBC? Every employee, spouse, and dependent enrolled in or eligible to enroll in your HRA Plan. In contrast, the Summary Plan Description (SPD) is required only for persons who actually enroll/re-enroll (renew) in your HRA Plan. One HRA SBC mailed to the employee's last known address will suffice (covers everyone who is eligible in the employee's family) unless you have information that a Plan-eligible family member does not reside with the employee.
- Can you disseminate the HRA SBC by electronic means? The same Department of Labor rules that are used for your Summary Plan Description and other ERISA documents apply. In summary, if you provide the SBC by Internet posting, you must also distribute a paper notice or email notice of the availability. Besides detailing the Internet address, the notice must indicate that the SBC is available in paper form on request.
- Are you required to provide the HRA SBC in another language? If the SBC is distributed to residents of a county wherein 10% or more of the population is literate in the same foreign language only, then the SBC must include a notice that interpretative services are available. For a list of counties in which this is required go to www.cciio.cms. gov/resources/factsheets/clas-data.html.
- What happens if you do not provide the SBCs? The penalty for failure to provide an SBC has increased to $1,128 (up from $1,105) for each failure. The new rate is effective for penalties assessed on or after October 11, 2018, for violations occurring on or after November 2, 2015
- If you have any questions or concerns regarding this requirement, please contact BASIC Customer Service.

PCORI Fees

The Patient-Centered Outcomes Research Institute (PCORI) was established by the Patient Protection & Affordable Care Act (PPACA) to evaluate the quality of various medicines and treatments. A private, nonprofit corporation, this Institute conducts comparative clinical effectiveness research and is funded in part

by plan sponsors (i.e., employers) of self- insured health plans.

On December 20, 2019, Congress overwhelmingly passed, and President Donald Trump signed into law, new spending packages. There were a number of items in that spending package, but a key component revised the annual fee to fund the Federal Patient Centered Outcomes Research Institute (PCORI), which had been set to expire for plan years ending after September 30, 2019. This new bill extends the inflation adjusted PCORI fee on health insurance policies and self-insured health plans another ten years, through 2029.

Employers/plan sponsors with self-insured health plans (including non-excepted Health Reimbursement Arrangements and non-excepted Health Flexible Spending Arrangements) are required to file IRS Form 720 and remit PCORI fees to the Treasury Department on an annual basis. Fees are due on July 31 of each year for plan years that ended during the prior calendar year. Initially this fee was $1 per each covered life; then increased to $2 after the first year and in subsequent years will be adjusted based on medical inflation rates. In Notice 2018-85, the IRS set the amount used to calculate the PCORI fee at $2.45 per person covered by plan years ending Oct. 1, 2018, through Sept. 30, 2019.

Health Savings Account

An HSA is a tax-advantaged investment vehicle that offers three separate tax benefits for participants:

- Payroll contributions into an HSA are pretax.
- Earned interest on investment funds is tax-free.
- Distributions for qualified expenses are tax-free.

Employer and employee contributions alike may be made on a pretax basis via payroll deduction and are treated the same as the other benefits under the Cafeteria Plan; they are not subject to state tax (certain states apply), federal income tax, or FICA tax. Paying for eligible expenses on a pretax basis allows your employees to increase their take-home pay, without costing you more money. Meanwhile, you reduce your FICA taxes for every employee dollar contributed.

Plan Summary and Requirements

An HSA is established by an eligible individual to pay the qualified medical expenses incurred by the eligible individual and any dependents. An eligible individual meets the following requirements:

- Individual is covered under a High-Deductible Health Plan (HDHP) on the first day of the month.
- Individual does not have any other health coverage except for "permitted coverage" (i.e., accidental, dental or vision coverage). • Individual cannot be enrolled in Medicare.
- Individual cannot be claimed as a dependent on someone else's tax return (spouse excluded).
- Individual may not be enrolled in a General Purpose Health FSA. An HSA must be set up with a qualified custodian or trustee. BASIC's custodian is State Bank of Cross Plains (SBCP) and is strategically focused on the HSA product and its benefits.

An HSA is a qualified benefit that may be offered under a Section 125 Cafeteria Plan. When offered under as a pretax benefit under the Cafeteria Plan, the following requirements must be met.

- A written Cafeteria Plan document must be adopted.
- The plan cannot be discriminatory per the nondiscrimination rules.

For detailed information, please refer to the Plan Documents Requirement and Nondiscrimination section of this manual.

HDHP Requirements

- HSAs work hand in hand with a qualifying High-Deductible Health Plans (HDHP). Individuals who make contributions to an HSA must be covered by an HDHP. The HDHP must satisfy minimum deductible amounts with certain out-of-pocket maximums. For annual limits, please visit: https://www.basiconline.com/regulations-resources/
- HSA account-owners (participants) may not be covered by any other insurance plan that is not an HDHP, or by an insurance plan that covers benefits provided by the HDHP or includes a deductible that is lower than the HDHP's deductible. There are exceptions for "permitted insurance" or "permitted coverage" products.
- HSA Coordination with your Cafeteria Plan.
- Under certain circumstances an employee may establish and fund an HSA in addition to funding a Limited-Purpose Healthcare Flexible Spending Account (LPFSA).
- For example, the Limited-Purpose Healthcare FSA may be established to reimburse dental and vision expenses exclusively.

HSA Contributions & Funding

There are three ways funds can be deposited into a participant's HSA:

- You, as the employer can contribute to the participant's account,
- Participants (employees) can contribute to their account (pretax payroll, as well as after-tax), or
- Both you and your employees can contribute.

Contributions to the BASIC HSA are subject to annual limits set by the IRS. When electing their annual contribution amount, the system will warn employees who exceed the federal funding limit. The maximum annual contribution amount is indexed annually.

Note: Two-percent or more shareholders in S-Corporations, Sole Proprietors and LLCs are not allowed to pay for their HSA contributions with pretax dollars.

HSA participants (account holders) may be subject to the Special Rule for Married Individuals, which states that married individuals with family coverage must divide their annual HSA contribution limit equally between each other, unless they agree upon a different division.

For more information on this Special Rule, go to: www.irs.gov/pub/irs-drop/rr-05-25.pdf

HSA Distributions

Account holders may request a reimbursement from their available HSA balance at any time. Reimbursements may not exceed the amount in the HSA at the time of the request and may not be included in gross income if used to pay for qualified healthcare expenses (as defined in Code Section 213(d)). Reimbursements received for qualified healthcare expenses (not covered by the HDHP) are distributed tax-free.

Unless individuals are disabled, enrolled in Medicare, or die during the year, they must pay income taxes plus an additional 20% on any amount not used for qualified healthcare expenses. Individuals who are disabled or reach age 65 can receive non- medical distributions without penalty but must report the distribution as taxable income.

Unused contributions to the HSA—even if offered under a Cafeteria Plan—are not forfeited at the end of the plan year; instead they rollover from year-to-year. In addition, when an employee moves from one employer to another the HSA funds are not lost; they are portable and stay with the account-owner.

HSA Eligible Expenses

Expenses are considered eligible for reimbursement from an HSA if the healthcare expense includes amounts paid for the diagnosis, cure, mitigation, treatment or prevention of disease and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness.

Appropriate HSA expenditures also include Medicare insurance premiums (except Medicare Supplement policies), long-term care coverage, health coverage while receiving unemployment benefits, and healthcare continuation coverage required by federal law (known as COBRA coverage). HSAs may reimburse long-term care insurance premiums limited to the adjustment amounts under section 213(d)(10), even when the HSA is offered through a Cafeteria Plan.

- It is important that participants retain pertinent documentation regarding distributions from an HSA.
- IRS Publication 502, Medical and Dental Expenses (section 213(d)) governs what is and is not eligible and includes a detailed list.

Investment Account Options

HSAs are especially unique because they allow account holders to further save for retirement. Specifically, account holders can choose to set-up their HSA benefits account to automatically sweep funds (in excess of $2,000 minimum HSA balance), out of the HSA account and directly into their pre-selected investment account(s).

Once the investment transfer amount is defined by the account holder, funds above that amount will automatically sweep to the consumer's investment account. In addition, an account holder may have the HSA funds swept into a Deposit Account (works much like a money-market account; funds are safer and provide a smaller interest rate return).

Participants can choose to leave the money in their HSA for future use. The funds left in the HSA earn a minimal interest amount.

Finally, for advice on investments choices, Participants should be directed to contact a licensed investment expert. BASIC does not offer investment advice, nor should you, as the employer.

Required Identify Verification

Identity Verification (IDV) is a combination of requirements set forth in Section 326 of the USA PATRIOT Act. The Act states that all financial institutions must verify the identity of individuals wishing to conduct financial transactions with them. A Health Savings Account is a bank account established with BASIC. For this reason, BASIC is required to comply with this requirement.

BASIC will attempt this verification upon enrollment, utilizing the information provided by you, their employer. The verification process reviews SSN, home mailing address, date of birth, and full legal name, against two federal databases. If the participant passes the initial screening, their IDV status will be changed to pass. If the participant does not pass the initial screening, they will remain in "IDV Pending" status and sent an email requesting documents needed to verify identity. While in an IDV Pending status, contributions may be made, but claims will not be paid from this account. Both you and the participant will be notified and one follow up reminder will be sent. If no response is received within 90 days, BASIC will inactivate the participant account and return funds.

Investment Tool Kit Instructions

The assets in your investment related account (Health Savings Account (HSA) are invested in mutual fund(s) that have been pre-selected for the plan by the Plan Fiduciary. You may also have the option of moving money between available investments depending on the provisions of your plan.

How do I access my investment balance?

From the Overview page, click on your benefit account (1) on the left, then click on the green Investment Balance link (2) on the next screen. This will take you from your BASIC account to your investment account.

How do I generate a statement on demand?

Investment statements are made available online on a quarterly basis following the end of the quarter and an annual basis following the end of the plan year. If you need an investment statement at any other time, under Account Summary, click Statement on Demand. Select the time period, then click Generate. Statements can be saved in PDF or Excel format to your own computer.

Where can I find my Historical Transactions?

You can look up transactions that occurred within your Investment Accounts. The system makes available two years of history of all transactions of your account. Under Account Summary, click Transaction History and enter a From Date (mm/dd/yyyy) or click on the calendar to select a date. Enter a To Date (mm/dd/yyy) or click on the calendar to select a date, then click Update.

Where do I change how my contributions are invested?

Click on your account from the left side of your screen. Then click on Investment Balance. You will get a warning stating that you are now leaving BASIC and navigating to an external website. Click on Continue to proceed. Click on Plan Services along the top and then select Investment Elections from the dropdown menu. Locate your account from the list on the left and click on Change Elections. On the right side you can select the percentages you wish to contribute to each investment. Please note, to successfully submit your investment elections change, the new percentages must equal 100%. For more information on each investment, under the heading Link you can access to a Prospectus, Fact Sheet, and a Website. When you have finished your elections click on Submit Investment Elections.

How do I change where my current balance is invested?

You have two options to change your current investment allocation: (1) Realign Portfolio or (2) Transfer Funds. You can realign

your entire balance to fit into percentages for each fund or you can pick and choose how much of your current balance goes into each fund, by percentage or by dollar amount. To realign your current balance, under Plan Services, click Realign Portfolio. You have the option to realign all your sources, if you have more than one source, or you can realign by source. Click Realign to the right of your source. Under Current %, you will see what percentage of your current balance is in each fund. Under New %, you will select the percentage of your current balance that you want in each fund.

If you would like to transfer funds rather than realign, click Transfer Funds. Again, you have the option to transfer all your sources, or you can transfer by source. Click Transfer to the right of your source. You must select a Transfer Type, Dollar to Dollar, or Percent to Percent. Select your investment. The amount or percent that is available to transfer out of the fund appears at the bottom next to Transfer Amount. Enter in the amount to transfer out of the fund. Click Continue. In the next screen, you will select where you want to place the amount that you are going to transfer into the remaining fund(s). The amount to transfer is reflected under Amount Remaining. When you have placed the amount, click Transfer.

How do I know if my request has been received?

Under Account Summary, click Activity Summary. Any pending activity will be present here. Should you wish to cancel any transaction in pending status, click Cancel. You will also see at the top right corner of your screen the words Pending Activity in red. If you click there, it will automatically bring you to the Activity Summary screen.

How do I know if my request has been processed?

On the home page, you can see your new investment elections and or investment allocation. Please note, investment election changes are an overnight process and realignments/transfers may take up to three days to process. For more detail, under Account Summary, click Investment Summary. In addition, a confirmation letter will be mailed to your home address the following business day after your request has been processed.

Where can I find fund fact sheets for the funds?

Throughout the Investment Tool Kit, each time you see a fund that is underlined, you may click on the fund to view current fund information.

How do I submit reimbursement requests?

After you become claim active, you may submit reimbursement requests from your online BASIC account. It's quick and easy! Before you begin, be sure to have the valid verification for your expenses handy. If you have your verification saved on your computer, you can save yourself a trip to the fax machine or post office by uploading them electronically when you file your request. If you only have paper copies of your verification, you can still file your reimbursement request online, and then send your verification via fax, email, or mail to BASIC.

To submit online reimbursement requests, follow these steps:

1. From your BASIC account (https://cdaclient.basiconline.com), click the green Request a reimbursement button.
2. Choose who the expense was incurred by, expense date, and expense type.
3. Enter expense amount and provider/merchant.
4. Attach verification (must contain date of service, product name or description of service provided, provider name, and recipient name (unless it is a store receipt for prescriptions or eligible over-the-counter items).
5. Review and submit.

Excepted Benefit HRA (EBHRA)

EBHRAs are designed to reimburse certain medical expenses for employees who are eligible to participate in a traditional group health plan offered by the employer. EBHRAS are excepted from the Affordable Care Act (ACA) requirements are not considered an offer of coverage under ACA.

EBHRA Offering Requirements

To offer an EBHRA, an employer must offer a Group Health Plan (GHP). Employees are not required to enroll in employer GHP, or be enrolled in any GHP. If EBHRA is for premium only and employee has no applicable coverage, employee is not eligible to enroll. EBHRA must be made available on the same terms to all similarly situated individuals, regardless of health status. IRC Section 105 discrimination rules will apply. An Employer cannot offer both an EBHRA and ICHRA.

EBHRA Funding

An employer's maximum contribution to EBHRA: $1,800 per year (as indexed for inflation).

Can reimburse premiums for:

- COBRA or other continuation coverage
- Short-term, limited-duration coverage (unless prohibited by HHS for small employers in a state under a special rule) Excepted benefits (i.e., dental and vision) cannot reimburse premiums for:
- Individual health insurance coverage
- Medicare Part A, B, C, or D
- Group Health Plan
- Fixed indemnity plans

Employer Options

- May allow rollover of unused funds
- Can elect Premium Only, 213 expenses only, or both
- Can restrict type of 213 expenses for HSA participation

Additional Benefit Account Options

In addition to the EBHRA, employers may offer other pretax reimbursement accounts to help employees pay for any eligible expenses not paid for by the EBHRA.

- Full Healthcare FSA: Allows employees to pretax the cost of eligible medical expenses not paid by EBHRA ($500 maximum employer contribution). If Employer contribution exceeds $500 the EBHRA contribution is reduced dollar-for-dollar.

- Health Savings Account (HSA): The EBHRA can be limited to 213 reimbursements of excepted benefits (dental and vision expense) and post deductible expense in order to allow participant in EBHRA to also open an HSA.

- Traditional HRA (for EEs on GHP); employer EBHRA contribution reduces dollar-for-dollar by traditional HRA contribution.

Individual Coverage HRA

ICHRA (Individual Coverage Health Reimbursement Arrangement) is a tax-advantaged account-based plan that employers can use to reimburse employees for individual health insurance and/or out-of-pocket medical expenses. The ICHRA is designed to expand the use of HRAs by employers to fund premiums for their employees in the individual health insurance market.

Employer Requirements

- Allows employers, regardless of size, to provide an HRA that reimburses employee premiums paid to purchase individual health coverage.
- There is no cap on the amount of the ICHRA contribution.
- Employers may either offer an ICHRA or a traditional GHP, but may not offer employees a choice between the two.
- Employers can offer an ICHRA on a class by class basis (creating classes around certain employment distinctions), employers that offer an ICHRA must do so on the same terms for all employees in a class, and may increase the ICHRA amount for older workers and for workers with more dependents.
- Employers can maintain their traditional GHP for existing enrollees, with new hires offered only an ICHRA.
- Participants and dependents are enrolled in individual market vs. group health insurance coverage or Medicare Part A and B or Part C.
- No traditional group health plan is offered to the same class of employees.
- HRA has reasonable procedures to verify and substantiate enrollment in coverage.
  - Annually if offering Premiums only;
  - Monthly if offering 213 expenses and or premiums
- HRA allows participants to opt-out of the HRA once annually and on termination of employment.
- HRA must provide a notice, 90 days prior to plan year, containing certain specified information to eligible individuals; which will help them understand the type of HRA being offered and; how the ICHRA offer may make them ineligible for a premium tax credit/subsidy for ACA exchange-based coverage
  - If determined to be affordable coverage
- Must offer the HRA on the same terms to all employees

within a class, subject to certain exceptions.

Permitted classes (11)

- Full-time employees
- Part-time employees
- Seasonal employees
- Employees covered by a Collective Bargaining Agreement
- Employees who have not satisfied a waiting period
- Nonresident aliens with no US based income
- Employees working in the same rating area
- Salaried employees
- Non-salaried employees (e.g. hourly)
- Temporary employees of a staffing firm
- Group formed by combining 2 or more of these classes

Minimum class size rule:

- Applies only if an employer offers a traditional group health plan to one class of employees and an Individual Coverage HRA to another class based on:
  - Full-time vs. part-time status
  - Salaried vs. non-salaried status
  - Geographic location (if smaller than a state)
  - Combination of any class above with any other class (except waiting period class)

Minimum class size is:

- Ten employees, for an employer with fewer than 100 employees
- Ten percent of employees, for an employer with 100 to 200 employees.
- Twenty employees, for employers with more than 200 employees

Group Health Plan (GHP) Rules:

- Employer can maintain a group health plan (GHP) for existing employees and transition new hires to the ICHRA program
- Employer cannot offer a choice between the GHP and ICHRA to same class of employees.

Notice Requirements:

- Employer can opt to allow rollover of unused funds

- Employees can pre-tax difference in ER contribution and actual cost of premium under 125 plan, except for Exchange premiums

- COBRA for ICHRA applies, if applicable event and loss of coverage

- COBRA premiums for GHP not allowed

- Employer can elect Premium only, 213 expenses only, or both

- Employee can participate in both ICHRA and a full FSA;
    - Provided employer does not contribute more than $500

- There can be no traditional HRA that pays all 213 expenses or deductibles;
    - Only Limited purpose HRA allowed

- ICHRA is first payor to other expenses based accounts

- ICHRA will be considered an offer of coverage under ACA

- Employees participating in an ICHRA are not eligible for subsidy under Exchange

- ERISA/ACA/COBRA/HIPAA applies

- BASIC will issue cards for ICHRAs
    - Verification required

ACA Employer Mandate:

- The ICHRA may satisfy the ACA requirement that large groups offer coverage.

- Employers must ensure ICHRA satisfies affordability requirement to avoid penalties.

- BASIC offers ACA Employer Reporting through the ACA Elevate service to help employers satisfy their ACA reporting requirements, as well as ERISA, HIPAA, and COBRA compliance.

Additional Benefit Account Options

In addition to the ICHRA, employers may offer other pretax or non-taxable reimbursement accounts to help employees pay for any eligible expenses not paid for by the ICHRA.

- Healthcare Premium (NESP) Reimbursement Account: Allows employees to pretax the remaining cost of their individual premiums not paid by ICHRA funds (not available for ACA Exchange premiums).

- Full Healthcare FSA: Allows employees to pretax the cost of eligible medical expenses not paid by ICHRA ($500 maximum employer contribution).

- Health Savings Account (HSA): The ICHRA can be limited to 213 reimbursements of excepted benefits (dental and vision) and post-deductible expense in order to allow participant in ICHRA to also open an HSA.

- Limited-Purpose FSA or HRA: Allows employers to set up an FSA that pays only excepted benefits (dental and vision) and ICHRA pays all other type 213 expenses.

- NOTE: Employees on GHP cannot participate in both a traditional HRA and ICHRA.

- BASIC can administer a NESP, Healthcare FSA, HSA, and much more alongside the ICHRA to maximize the benefits and reduce administrative costs.

BASIC Consumer Driven Accounts

FRINGE BENEFIT ACCOUNTS

Dependent Care Account

A Dependent Care FSA is a qualified benefit that may be offered under a Section 125 Cafeteria Plan to allow participants to set-aside pre-tax dollars to use for eligible dependent care expenses. Employees who elect to participate in the Dependent Care FSA will make an annual contribution election to be deducted pre-tax from their payroll throughout the Plan Year. Unlike the Healthcare FSA, Dependent Care funds are only available to use for eligible expenses as they are contributed (pay in-pay out).

Dependent Care FSA Eligibility Requirements. The FSA regulations require all participants to be employees of the employer. As such, some individuals are specifically excluded under the plan such as a sole proprietor, a more-than-2% shareholder of an S-Corporation and due to attribution rules, the shareholder's spouse, children, parents, and grandparents are also excluded.

Additionally, eligibility for the dependent care benefit requires that certain criteria be met with respect to the expense, the provider, etc.

- The dependent care expenses must be work-related. The care must be necessary for the employee and the employee's spouse to work, to look for work, or to attend school full-time, or if they are physically unable to care for their children.
- The dependent care expenses provided during a calendar year cannot exceed $5,000. In the case of a separate return by a married individual, the limit is $2,500. This amount may be less if the employee's earned income or spouse's earned income is less than $5,000.

Dependent Care Elections
Participants are encouraged to be conservative in making elections because any unused funds left in their Dependent Care FSA at the close of the Plan Year are not refundable, nor is Carryover available for the Dependent Care FSA.
UPDATE: Consolidated Appropriations Act, 2021 permits any amount of unused contributions from plan years ending in 2020 and/or 2021 to be carried over into the next plan year. Note: The carryover amount will not be subject to the annual IRS contribution limit for that plan year, even if the combined total with plan election exceeds the limit.

Transitional Period and Grace Period Option
A period of no more than three months following the end of the Plan Year is considered the transitional period. During this time,

the Participant may continue to submit reimbursement claims for expenses incurred during the previous Plan Year or during any elected Grace Period.

UPDATE: Consolidated Appropriations Act, 2021 extends the grace period for participants to request reimbursements from their remaining balances for up to 12 months after plan year-end for plans ending in 2020 and/or 2021.

Section 125 Cafeteria Plan Requirements
A Dependent Care FSA is subject to the same plan document and nondiscrimination requirements as a healthcare FSA. Please refer to the information and instructions under the healthcare FSA section of this manual.

Transit Account

Section 132 of the Internal Revenue Code allows for qualified Transportation Benefits to be paid on a pre-tax basis. All qualified costs are paid through salary reduction and as such escape federal, social security, and state income tax. The concept mirrors that of a Cafeteria Plan. BASIC offers Transportation Benefits in the form of a Transit Account and a Parking Account. You may offer either Account, or both, to your employees. Please note that there is no plan document requirement for Transportation Benefits.

Eligible Transportation Expenses - All transit and parking expenses must be work-related in order to be eligible for reimbursement.

A transit pass: this is any pass, token, fare card, voucher, or similar item that entitles a person to transportation on mass transit facilities which include (but are not limited to) transport by rail, bus, train, or ferry.

Transport on a commuter highway vehicle: the vehicle must have a seating capacity of at least six adults and at least 80 percent of the mileage must be for purposes of transporting the employee between their residence and their place of employment.

Pre-Tax Benefits
All related costs may be paid through pre-tax salary reduction, which benefits employees as they escape federal and state income tax, in addition to Social Security and Medicare taxes.

Similar to a Cafeteria Plan, the regulations require all participants in a Transportation Account to be employees of the employer. As such, some individuals are specifically excluded under the

plan such as a sole proprietor, a more-than-2% shareholder of an S-Corporation and due to attribution rules, the shareholder's spouse, children, parents, and grandparents are also excluded.

Transit/Parking Funds MAY Rollover

Any Transit/Parking fund balances remaining at the end of the Plan Year will be forfeited unless you (employer) choose to carry these funds forward to the following Plan Year for use by the participating employee (does not need to be enrolled in the new Plan Year).

Employee Enrollment & Elections

Administration and operation of the Transportation Benefit is simple. If you offer this benefit, participants make an election via enrollment form while following the IRS monthly limits. Monthly limits apply for Transit and Parking Benefits. Enter the transportation costs on the line assigned for transportation benefits within the Request for Reimbursement process.

Change in Elections

Changes may be made to Transportation Benefit elections each month by the participant, as the amounts paid each month may fluctuate. Requests for election changes must be submitted to the employer (as directed by employer). BASIC offers a Change Request form that may be used.

BASIC Card Requirement for Transit Benefits

Effective January 1, 2016, the Internal Revenue Service (IRS) no longer allows manual cash reimbursements for pre-tax Transit Benefits. This means that your employees who participate in the Transit Benefits Plan will be required to use their BASIC Card to purchase transit passes from a qualified merchant. This requirement does not apply to Parking Benefits. Participants may use the BASIC Card or request a reimbursement for eligible parking expenses.

Parking Account

Qualified parking: this includes costs paid for parking on or near the employer's business premises or at a location from which the employee commutes to work by mass transit facilities, commuter highway vehicle, or carpool.

If parking is at an employer-provided facility, the employer may deduct the cost of parking on a pre-tax basis. As such, this deduction will be a payroll adjustment, treated much the way group-sponsored health insurance is handled under Section 125.

BASIC Consumer Driven Accounts

ACCOUNTABLE PLAN OFFERINGS

Accountable Plan Offerings

An accountable plan is an employee reimbursement allowance arrangement or method for reimbursing employees for business expenses that complies with IRS regulations.

The accountable plan must satisfy three basic requirements:

- expenses have a business connection;
- expenses are substantiated/accounted for in a reasonable period of time; and
- excess reimbursements or allowance amounts are returned within a reasonable time period.

Business Connection - Business expenses covered by the plan must satisfy the requirements for deduction as business expenses; and must be paid or incurred by the employee in connection with the performance of their job as an employee.

Expenses Substantiated - The business expenses must be adequately accounted for with the employer within a reasonable time. The employer must require employees to provide detailed information on these expenses which should include date, time, place, amount, and business purpose for the expense.

Excess reimbursements – An excess reimbursement is a reimbursement or allowance greater than allowable amounts. The employee must return excess reimbursements to the employer within a reasonable period of time or these excess amounts are taxable to the employee.

The accountable plan deductions apply only to employees (not owners, board of directors, partners, contracted employees).

Requirements for accountable plans should be put in writing and would typically be incorporated in the employer's employee policy and procedures manual. As a new client, once your accountable plan is completely set up, the applicable Summary Description for your plan will be provided to you. If you are an existing client and you need a Summary Description, it will be provided upon request. BASIC will reach out to you at renewal to see if you have had any changes to your plan that requires an update to your Summary Description.

Tax Treatment - Amounts that are paid under an accountable plan are:

- excluded from the employee's gross income,
- not reported as wages or other compensation on the

employee's Form W-2.

- exempt from the withholding and payment of employment taxes, FICA, FUTA, RRTA, RURT, and income tax.
- amounts are deductible as business expenses by the employer subject to any regulatory limitations.

Under the Tax Cut and Jobs Act of 2017 the standard deduction amounts were increased. Subsequently the deduction for job expenses subject to 2% floor, such as certain professional fees and unreimbursed employee business expenses, was suspended for tax years between 2018 and 2025. This should make these accountable plans more popular.

Reasonable Period Of Time Safe Harbor: Actions that take place within the times specified in the following list will be treated as taking place within a reasonable period of time.

- You receive an advance within 30 days of the time you have an expense.
- You adequately account for your expenses within 60 days after they were paid or incurred.
- You return any excess reimbursement within 120 days after the expense was paid or incurred.
- You are given a periodic statement (at least quarterly) that asks you to either return or adequately account for outstanding advances and you comply within 120 days of the statement.

BASIC's Accountable Plan Offerings

The following Accountable Plans to be offered by BASIC:

- Professional Dues and Subscription Account
- Home Office Account
- Travel and Business Meals Account
- Work Clothes Account
- Workplace Tools Account

Important Notes: With each of these plans the vision is that the employee would be able to utilize a BASIC card for payment of the expense as well as have the capability to submit a paper claim for reimbursement.

Typically, with these plan an employee would receive an advance, use a business credit card or be reimbursed after the fact. The use of a BASIC card would need to be reviewed for legal implications such as but not limited to the effect of not meeting the 'prepaid card' exception for flexible spending accounts, opening

for merchant codes, etc. The use of a BASIC card may need to be approved by our card issuer.

Professional Dues and Subscriptions Account

Allowable Expenses:

- Dues to a chamber of commerce if membership helps employee do their job.
- Dues to professional societies.
- Malpractice insurance premiums.
- License and regulatory fees.
- Subscriptions to professional journals and trade magazines related to employee's work.
- Union dues and expenses.
- Continuing education expenses.

Home Office Account

Home office expenses. If employers require employees to work from home, they can reimburse employees for expenses, such as Internet access. Again, the reimbursements must conform to accountable plan rules.

Allowable Expenses:

- Internet expenses – portion related to and required for work
- Phone land line expenses - if required for work.
- Computer required for work
- Printer required for work
- Office supplies (ink cartridges, paper, etc.)

Travel and Business Meals Account

Allowable expenses are:

- Business travel: Travel by car, bus, train or airplane between the employee's home and their business destination.
- Hotel/Motel Lodging charges and taxes
- Hotel charges, e.g., phone or fax, laundry
- Expenses for taxis and other types of transportation between airport or train station to lodging, and the work location and return.
- Shipping of bags and display materials between the employee's regular and temporary work locations

- Using of employee's car while at employee's business destination. Actual expenses or the standard mileage rate can be deducted, as well as business-related tolls and parking fees.
- If employee's rent a car, the employee can deduct only the business-use portion for the expenses.
- Tips and gratuities related to business expenses.
- Business-related meals, e.g., client dinners, etc.
- Cell phone expenses.

Work Clothes Account

Allowable expenses are: Work Clothes – cost of clothes and cost of cleaning and repair of said clothes (see explanation below). The value of employer-provided clothing (to the extent not paid for by the employees) is taxable to the employees unless the clothing qualifies as a working condition fringe benefit.

When looking at work clothes deductibility, there is a conflict in the Internal Revenue Code between:

1. Code §162, allows a deduction for "all the ordinary and necessary expenses paid or incurred…in carrying on a trade or business,"

2. Code §262, bars any deduction for "personal, living, or family expenses."

The IRS position on deductibility is that the cost of acquiring and maintaining work clothing is deductible if:

1. the clothes are specifically required to be worn as a condition of employment, and

2. the clothes are not "of a type adaptable to general or continued usage to the extent that they take the place of regular clothing." (Rule was developed in response to questions about the uniforms of "police officers, firemen, letter carriers, nurses, bus drivers, and railway men," but it apparently also applies to other types of work clothing.)

Required to be worn as a condition of employment - The clothing must be specifically required by the employer and not merely seen by the employee as useful to do the job. The condition of employment rule is waived for some employer-provided safety equipment—e.g., hard hats, safety goggles, and safety shoes.

Those items are excludable regardless.

Clothing not of the type adaptable to taking the place of regular clothing – Clothes must have some feature that makes them inherently unsuitable for everyday use. This is determined objectively, without reference to the individual's lifestyle or personal taste. Under this rule, it does not matter whether the employer prohibits wearing the articles of clothing when the employee is not working. The mere fact that the clothes have a logo, name tag or other symbols on them does not make them unsuitable for everyday use. Expenses for Cleaning Excludable Clothing. If an item of clothing can be provided by an employer on a tax-free basis under the working condition fringe benefit exclusion, then reimbursements paid by the employer to clean that clothing would also be excludable.

Workplace Tools Account

Allowable expenses are: Work Tools (where an employee is required to use his/her own tools). Private Letter Ruling on Tool Plan which could be viewed as a safe harbor: https://www.irs.gov/pub/irs-wd/0930029.pdf

Looking to above Private Letter ruling where employees were required to submit a claim for reimbursement and putting a debit card into the mix, the following is how the plan is seen as being administered:

1. Employer determines amount that they will allocate to the employee at the beginning of each years for tools.

2. Employer would draw up with each supervisor or manager those tools that are required for the job assignments of each

     employee or job position.

3. Employee receives card with allotted cash (the card would be reused in coming years)

4. Employee agrees to terms of use that any use of the card would be:

     a.   for an expense required to fulfill his/her job assignment

     b.   the tool will only be used on job assignments for the employer

     c.   the tool was required from the approved vendor list (would only make card usable at designated vendor or vendor)

     c.   reimbursement will not be sought from any other source

     d.   will not be written off taxes.

5. Employees must submit receipts for tools within 30 days of purchase. The tools are compared to the list of those tools

     designated by the supervisor or manager as being necessary to the employee's job position. The expense may be partly

     or fully denied because of incomplete documentation or ineligibility of expenses. The employee would need to either

     produce any additional documentation/receipt or repay the employer. The employee must return reimbursements made

     in error   within 30 days and must repay any reimbursements paid during the last six months of employment at the time of

     separation.

6. In cases where the employee does not use the debit card but instead submits a paper request for reimbursement. They

     would complete a claim form and sign certification language that would state among other things:

     a.   the expense was required to fulfill his/her job assignment

     b.   the tool will only be used on job assignments for the employer

     c.   the tool was required from the approved vendor list (would only make card usable at designated vendor or vendor)

     reimbursement will not be sought from any other source

     d.   will not be written off taxes

EDUCATION ACCOUNTS

BASIC ®

Student Loan Reimbursement Account

The Student Loan Reimbursement Account is offered by employers, who contribute a certain dollar amount per year toward paying off an employee's student loan(s). When employers reimburse their workers, those payments are considered equivalent to regular wages. There's no tax benefit, as there is for retirement plans, health insurance, or even tuition assistance. Employers must pay payroll taxes on the student-loan payments, and employees must pay income taxes.

With this account, employers reimburse employees for payments they make on student loans on behalf of employees, at certain amounts per month as decided by the employer. Unlike tuition reimbursement benefits, which are currently tax-free up to $5,250 annually, employer student loan reimbursements are taxed as regular income.

Tuition Reimbursement Account

Tuition reimbursement is a benefit in which the employer agrees to pay for a certain amount of the employee's tuition. In certain cases, tuition reimbursement can be tax-exempt. The IRS currently allows employers to pay up to $5,250 in educational assistance tax-free. If a company pays more than the allowable amount, the excess will be included as gross, taxable income on the employees' W2 form.

The tuition reimbursement program is a qualified program. This means that the program does not favor highly compensated employees and the owner does not participate in more than 5% of program reimbursements and is subject to Non-Discrimination Testing. The money in a Tuition Reimbursement Account can only be used towards tuition, fees, and school supplies (including books).

What Subjects Are Covered?
Tuition assistance comes in several different formats depending on the employer. Most employers cover only the cost of classes relevant to the employee's current or next position, or any classes related to attainment of a degree.

How Tuition Assistance Works
Some employers will repay costs after an employee registers for a course, while others might not cover the costs until the course is completed. The most common method for administering the program requires employees to pay for tuition and books when they register for classes. Then the employee submits verifica-

tion of a passing grade of C* or better to receive reimbursement. (*Some employers may require a grade higher than a C.)

In most cases, employers cap the amount of tuition assistance available for employees. Employers either set a limit in terms of dollars available per employee per year or they establish the number of classes they will pay for per year per employee through tuition assistance.

Companies offering these benefits also need to protect the investments they make in their employees. Because of this, there will often be restrictions on how soon employees can take advantage of these benefits or how long they'll need to commit to the company. For example, restrictions such as needing to be with the company for 1-3 years or committing to the company for 5 years may be part of the benefits program. The Tuition Reimbursement Account does not cover Continuing Education expenses, rather these are covered under the Professional Business Expense Account.

Plan Document
If you are a new client and your services include BASIC standard plan documents, BASIC will provide you with the appropriate combined plan document and Summary Description for your plan. If you are an existing client and you need a plan document, it will be provided upon request. BASIC will reach out to you at renewal to see if you have had any changes to your plan that requires an update to your plan document and Summary Description.

Utilizing Benefits
Once the rules of company's benefits are clarified, employees will want to find the best way to put them to use. Many companies will have some restrictions on the type of coursework they'll reimburse. Some companies will cover full programs for undergraduate or graduate degrees at four-year universities, while others might only cover courses you take through online providers. There are rules around how employees can spend tuition assistance payments. According to the IRS, assistance benefits can only be used toward tuition fees, books, and supplies necessary for the courses. Employees cannot use these benefits to help pay for food, housing, transportation, or supplies that can be kept after completing the course.