

# Health and Dependent Care Flexible Spending Accounts (FSAs)

Diageo NA provides you with an opportunity to contribute to two kinds of flexible spending accounts (FSAs), a Health Care Account and a Dependent Care Account which are both described in detail in this section. FSAs reduce your taxes and increase your spendable income. These accounts allow you to set aside money before taxes, and then use those funds to reimburse yourself for eligible health care expenses. You may participate in one, both, or neither of the accounts.



## For More Information

For details about eligibility for benefits, when you can change your coverage, and how you pay for coverage, see *Participating in the Benefits Plans*. For information about your legal rights under ERISA, general information on claims review and appeal procedures, and other important administrative details, see *Administration*.

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## How Flexible Spending Accounts (FSAs) Work

### Save Money with an FSA

You pay less in taxes by contributing to a Health Care or Dependent Care Flexible Spending Account.

If you participate in a Health or Dependent Care Account, you decide how much money to set aside from your paycheck to pay for eligible expenses for you and your dependents.

Separate Health or Dependent Care Accounts are set up in your name, and your pre-tax contributions are deposited into the accounts each pay period. You pay the expenses, but save money by getting reimbursed with tax-free dollars.

Whether you elect a Health Care and/or a Dependent Care Account, the plans generally work in the same way:

1. You estimate your eligible health and dependent care expenses for the upcoming year.
2. You decide how much to contribute to one or both accounts. Because of the “Use it or Lose it” rule, it’s a good idea to be conservative in your estimates. Planning tools are available on Diageo One or from your Human Resources Representative.
3. The Company will deduct your contributions from your paycheck before federal, Social Security or Medicare, and most state and local income taxes are calculated, and credit your account with those funds.
4. You can pay for eligible health care expenses with the FSA Debit Card, which automatically deducts funds from your Health Care Account, with no claim forms to file. (If your Card is denied, you can still use your Health Care Account to pay for eligible expenses, but you will need to file a traditional claim.) Be sure to keep all receipts for health care transactions. The Health Care Account and Card are regulated by the IRS, so you may be required to substantiate your purchases.
5. When you incur an eligible Dependent Care expense, you pay the provider and submit a claim form along with your receipts. Dependent Care claims are reimbursed based on your current account balance. You will be reimbursed by check or direct deposit with tax-free dollars.

### Sign Up for Direct Deposit

Sign up any time for easy reimbursement through direct deposit.

### “Use It or Lose It”

It is important to plan contributions to the FSAs carefully. In order to maintain a tax-free plan, the Internal Revenue Service (IRS) requires that if you do not use all of the money in your account(s), it will be forfeited at the end of the year.

## The Health Care Account

Your Health Care Account can be used to pay for IRS-approved health care expenses not covered by any other health plan.

### Annual Contributions

Each year, you may elect to have between \$120 and \$2,500 deducted from your pay on a pre-tax basis to fund a Health Care Account. Annual contributions are deducted evenly from each of your paychecks throughout the year.



## Your Dependents

You may submit expenses for dependents who are eligible to participate in the Diageo NA Medical Plan with the exception of domestic partners and their children who you are not able to claim on your tax return. For dependent eligibility requirements, see *Participating in the Benefits Plans*.

## Eligible Expenses

In order to be eligible for reimbursement from your Health Care Account, expenses must **not** be covered by another health plan and must qualify as eligible deductions by the IRS. For IRS guidelines regarding eligibility, you may log on to the IRS website at [www.irs.gov](http://www.irs.gov) or call 1-800-829-3676 and request Publication 502.

The following are examples of expenses that may be eligible for reimbursement:

- Acupuncture treatments
- Birth control items prescribed by a doctor
- Childbirth classes
- Copays and coinsurance payments
- Deductibles
- Hearing exams and hearing aids
- Home modifications for medical reasons, e.g., wheelchair ramp
- Inpatient treatment at a center for alcohol or drug addiction
- Medically necessary fees paid to doctors, dentists, surgeons, chiropractors, psychiatrists, psychologists, and Christian Science practitioners not covered by another plan
- Over-the-counter drugs and medications (must have a prescription from your medical provider)
- Prescription drugs not covered by another plan
- Prescription eyeglasses or contact lenses
- Qualified long-term care services
- Smoking-cessation programs and drugs prescribed to alleviate nicotine withdrawal (nicotine gum and nicotine patches, which do not require a prescription, are not eligible)
- Special schooling for physically or mentally handicapped children
- Speech therapy
- Transportation costs primarily for and essential to medical care
- Weight-loss programs associated with a specific disease
- Wheelchairs and crutches

### Eligible Dependents

You can submit Health Care Account expenses for eligible dependents even if they are not enrolled in Diageo medical coverage.



## Ineligible Expenses

The following are examples of expenses that are not eligible for reimbursement:

- A trip or program for the general improvement of your health
- Dental bleaching
- Expenses paid by an insurance company or reimbursed to you from another source
- Expenses you plan to claim as a deduction on your federal income tax return
- Expenses reimbursed through your spouse's health care account
- Health club dues
- Most cosmetic surgery
- Nicotine gum and patches that do not require a prescription
- Over-the-counter drugs and medications not prescribed by your medical provider
- Premiums for a medical, dental, or vision plan
- Weight-loss programs for general health and appearance

## Accessing Health Care Account Funds

The FSA Debit Card gives you direct access to your Health Care Account. When you enroll in the Health Care Account, you will automatically receive the FSA Debit Card. The Debit Card eliminates the need to file claims every time you incur an eligible expense.

### How the FSA Debit Card Works

If you enroll in the Health Care Account, you will receive a UnitedHealthcare Consumer Accounts MasterCard Card in the mail. After you activate the Card, you can present it when paying for medical and prescription drug services wherever MasterCard® is accepted, and the appropriate amount will be automatically deducted from your account. With the swipe of your card at approved locations, you automatically withdraw funds from your Health Care Account to pay for prescriptions and copays at the doctor's office, emergency room, and more.

The UnitedHealthcare Consumer Accounts MasterCard Card will automatically debit your FSA account based on the guidelines established by the IRS and the provisions of your medical plan. The Card may not work for certain health care expenses, including some dental and vision expenses, and medical expenses if you're not enrolled in a Diageo medical plan. If your card is denied, you can still use your Health Care Account to pay for these expenses, but you will need to file a traditional claim.

Keep all receipts for health care transactions. The Health Care Account and Card are regulated by the IRS, so you may be required to substantiate your purchases. You can check your Health Care Account balance and transaction history anytime at [www.myuhc.com](http://www.myuhc.com).



## Filing a Traditional Claim for Reimbursement

If you need to submit a traditional claim, you can use the FSA Withdrawal Request form. Forms are available in the Forms library on Diageo One, from your Human Resources Representative, or through UnitedHealthcare.

You have until March 31 of the following year to submit expenses incurred during the current calendar year. If you think that your claim will be delivered after March 31, you should send it “Certified” in order to confirm that you mailed it by March 31. If you do not submit claims by March 31, you will forfeit any money remaining in your accounts.

Send your completed FSA Withdrawal Request forms and appropriate receipts or attachments to:

UnitedHealthcare  
PO Box 981178  
El Paso, TX 79998-1178  
Or fax your claim to: 1-915-781-1085

When filing a traditional Health Care Account claim, you must attach an itemized bill or Explanation of Benefits (EOB) statement from the health plan.

For the Health Care Account, you will be reimbursed up to the total amount of your annual contributions, even if the full amount has not yet been deposited into your account.

### An Example

Assume you have \$1,000 deducted from your pay to fund your Health Care Account for the year (\$83.33/month). In March, you incur an eligible health care expense of \$500. You may be reimbursed for the entire \$500, even though you only have about \$250 in your account. Once you reach your \$1,000 limit, you may not submit any more claims for the year.

## Discontinuing Your Health Care Account

If you discontinue your Health Care Account as a result of a life status change, you may not submit expenses incurred after that date. You may continue to submit claims for expenses incurred **before** the change in coverage until March 31 of the following year. According to IRS regulations, if there is money remaining in your account after you have been reimbursed for expenses incurred before the change, it will be forfeited.

## Limited-Purpose FSA with the Consumer-Driven Health Plan

If you are enrolled in the Consumer-Driven Health Plan with the Health Savings Account, you may still choose to elect the Health Care FSA. However, the FSA coverage is limited to dental and vision expenses, as your Health Savings Account would be used for medical and prescription expenses.

## The Dependent Care Account

If you and your spouse (if you are married) are employed, or your spouse attends school full-time, or is disabled and incapable of self-care, you may contribute pre-tax money to a Dependent Care Account to cover expenses for the care of dependent children or adults while you are at work. Please note that this is for current dependents and not if you are pregnant and expecting a dependent in the future. At the time of birth or adoption you will be able to enroll in the plan at that time. See the section *Life Events and Your Benefit Plans* for more information.

### Annual Contributions

Each year, you may elect to have between \$1,000 and \$4,000 deducted from your pay on a pre-tax basis to fund a Dependent Care Account. The maximum annual deposit is \$5,000 including the Company Match (see below). Annual contributions are deducted evenly from each of your paychecks throughout the year.

### Company Match

Each year, the Company will match 25¢ for each dollar you contribute to your Dependent Care Account, up to a maximum match of \$1,000.

### An Example

If you contribute \$3,000 to your Dependent Care Account, the Company will add \$750 to your account tax-free, and you will be able to submit expenses up to \$3,750.

### Your Dependents

Eligible dependents for the purposes of the Dependent Care FSA are different from those eligible for other benefits, including the Health Care Account. Dependent Care Account eligible dependents include:

- Children under age 13 who you claim as dependents on your federal tax return
- Children under age 13 for whom you have legal custody and do not claim as an exemption on your tax return
- Any person (child, spouse, elderly parent) who is physically or mentally incapable of self-care for whom you are entitled to claim as a dependent on your federal tax return and who lives with you for more than one-half of the year.

For dependents who are not a “qualifying child” the dependent cannot earn gross income in excess of the annual exemption (\$3,500 in 2008).

### Contribution Limits

Your annual contributions (including the Company Match) are reduced from \$5,000 to \$2,500 if:

- You are married, and you and your spouse file separate tax returns
- Your spouse contributes to a dependent care account

## Eligible Expenses

The Dependent Care Account pays for IRS approved dependent care expenses that you and your spouse (if married) incur while working or looking for a job. To verify IRS eligibility, you may log on to the IRS website at [www.irs.gov](http://www.irs.gov) or call 1-800-829-3676 and request Publication 503.

The following are examples of expenses that may be eligible for reimbursement:

- FICA and FUTA payroll taxes of a daycare provider
- Home-based daycare providers who comply with all state and local regulations
- Individuals, including relatives, who provide care in or outside your home (other than your dependents or your children under age 19)
- Licensed daycare centers for children and adults, and nursery schools
- Nanny expenses for services provided in your home
- Summer day camp

## Ineligible Expenses

The following are examples of expenses that are not eligible for reimbursement:

- Care provided by your spouse, your children under age 19, or any other dependent
- Care provided for non-work related reasons
- Educational expenses, supplies, or meals unless these costs **can't** be separated from an eligible expense
- Elementary school fees and expenses (kindergarten and beyond)
- Expenses paid to a housekeeper, maid, cook, etc., unless specific to the care of your dependent
- Expenses reimbursed through your spouse's dependent care account
- Expenses you plan to take as a tax credit on your federal income tax return
- Overnight camp

## Filing a Claim for Reimbursement

In order to be reimbursed from your FSA accounts, you must submit an FSA Withdrawal Request form. Forms are available in the Forms library on Diageo One, from your Human Resources Representative, or through UnitedHealthcare.

You have until March 31 of the following year to submit expenses incurred during the current calendar year. If you think that your claim will be delivered after March 31, you should send it "Certified" in order to confirm that you mailed it by March 31. If you do not submit claims by March 31, you will forfeit any money remaining in your accounts.

Send your completed FSA Withdrawal Request forms and appropriate receipts or attachments to:

UnitedHealthcare  
PO Box 981178  
El Paso, TX 79998-1178  
Or fax your claim to: 1-915-781-1085

**Submit Your Claims by  
March 31**

Remember to submit  
your claims by March 31  
of the following year.

When filing a Dependent Care Account claim, you will need to include your receipts and the name, address, and tax identification number or Social Security number of the dependent care provider. If the provider is a non-profit organization, you just need to submit the name and address of the provider.

For the Dependent Care Account, you will be reimbursed up to the amount of your current account balance.

### An Example

Assume you have \$3,000 deducted from your pay to fund your Dependent Care Account for the year (\$250/month). In January, you incur an eligible dependent care expense of \$300. You will be reimbursed for \$250 (your current account balance) and will automatically receive a check for the remaining \$50 when you have enough money in your account to cover the reimbursement.

## Discontinuing Your Dependent Care Account

If you discontinue your Dependent Care Account as a result of a life status change, you may continue to submit expenses incurred **before** the change in coverage and also for expenses incurred **during** the remainder of the calendar year. You have until March 31 of the following year to submit your claims. According to IRS regulations, if there is money remaining in your account after March 31, it will be forfeited.

## Other Important Information

### Keeping Track of Your Account

You can keep track of your account activity by logging on to the UnitedHealthcare website at [www.myuhc.com](http://www.myuhc.com).

- Participation in the FSA Plan is optional; you may enroll in one, both, or neither of the spending accounts.
- You do not have to enroll in the Medical or Dental Plans to participate in the FSA Plan.
- You do not have to have family medical or dental coverage to submit expenses for your eligible dependents. However, the definition of an eligible dependent is different for the Dependent Care FSA. See the *Participating in the Benefits Plans* section.
- Your life insurance, disability, and pension benefits are based on your annual base salary and are not affected by your contributions to the FSA Plan.
- Money in the FSA accounts is nontransferable. If you run out of money in your Dependent Care Account, you may not use money in your Health Care Account to pay for dependent care expenses, and vice versa.
- You may only submit expenses that are incurred during the current calendar year.
- You have until March 31 of the following year to submit expenses incurred during the current calendar year. If you think that your claim will be delivered after March 31, you should send it “Certified” in order to confirm that you mailed it by March 31. If you do not submit claims by March 31, you will forfeit any money remaining in your accounts.
- You may only submit expenses that are incurred while you (or a dependent) are participating in the FSA Plan. There is an exception to this provision if you discontinue your Dependent Care Account during the year. See “Discontinuing Your Dependent Care Account” on page 94



- If you are hired mid-year, the annual contribution limits do not decrease. You are still eligible to deposit the maximum amount.
- Because you are not paying FICA taxes on your contributions, participating in the FSA Plan may result in a slight reduction in your Social Security benefits at retirement. Generally, the effect on your benefits will be minimal and offset by the money you save in taxes by participating in the Plan.

## Tax Matters

There are some important tax issues that you should be aware when using Diageo's FSAs, including how pre-tax contributions can save you money and details about the dependent care tax credit.

### Pre-tax Contributions

Your contributions and reimbursements are not subject to federal, Social Security or Medicare, and in most cases, state and local taxes. By paying for your health and dependent care expenses with pre-tax money, your take-home pay is more than if you paid the expenses after taxes.

#### An Example

You could save \$1,656\* each year if:

- Your annual base salary is \$40,000
- You are married with one dependent child, and you file a joint return
- You contribute \$1,000 to a Health Care Account
- You contribute \$3,000 to the Dependent Care Account, and the Company automatically matches your contribution with \$750, for a total of \$3,750

#### Health Care and Dependent Care Expenses

	With the FSAs	Without the FSAs
<b>Your Annual Base Salary</b>	\$40,000	\$40,000
<b>Health Care Account</b>	– \$1,000	\$ 0
<b>Dependent Care Account</b>	– \$3,000	\$ 0
<b>Company Match for Dependent Care</b>	\$750 (not taxable)	\$ 0
<b>Taxable Income</b>	\$36,000	\$40,000
<b>Federal Taxes (15% tax bracket)</b>	– \$6,683	– \$7,283
<b>Social Security/Medicare (FICA) (7.65%)</b>	– \$2,754	– \$3,060
<b>Take-home Pay after Taxes</b>	\$26,563	\$29,657
<b>After-tax Health Care Expenses</b>	\$0	– \$1,000
<b>After-tax Dependent Care expenses</b>	\$0	– \$3,750

	With the FSAs	Without the FSAs
<b>Take-home Pay</b>	\$26,563	\$24,907
<b>Estimated Tax Savings*</b>	\$906 + \$750 Company Match	
	= \$ 1,656	

\*You may save more if state and local taxes are included. This estimate is based on current tax law and is subject to change.

### Dependent Care Account vs. Dependent Care Tax Credit

Using the Dependent Care Account will affect the amount you can deduct for the federal dependent care tax credit. You may not take an income tax credit on your tax return and get reimbursed from your Dependent Care Account for the same expenses.

You may want to consult a financial advisor regarding your individual situation.

**Tip: Take Advantage of Tax Savings**

If your family's adjusted gross income is \$24,000 or more, your tax advantage is usually greater with the Dependent Care Account.

### Questions?

If you have questions about the FSA Plan, call UnitedHealthcare at 1-877-311-7849, or log on to their website at [www.myuhc.com](http://www.myuhc.com). You may also call your Human Resources Representative.

