

Capital Expenditure Worksheet Instructions

Why would I need to submit a Capital Expenditure Worksheet?

When you enrolled in the Health Care Spending Account (HCSAccount), you agreed to the following:

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

WageWorks, along with the State of New York, has developed these instructions to assist you in complying with this agreement by explaining how and when to use a Capital Expenditure Worksheet.

How do I seek reimbursement?

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

What is a capital expenditure?

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

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

This Capital Expenditure Worksheet, along with a properly completed Letter of Medical Need, are required when you submit a request for reimbursement of a capital expenditure. Refer also to the information in the NYS Flex Spending Account current plan year enrollment book and on your HCSAccount Reimbursement Request Form. For more assistance or to obtain a sample form, visit the NYS Flex Spending Account website at www.flexspend.ny.gov or contact Customer Service at 1-800-358-7202 (option 1), Monday through Friday, 7 a.m. to 10 p.m. ET.

Note: If improper reimbursement of ineligible HCSAccount expenses has been made, the corrective procedures approved by the IRS and permitted under the HCSAccount plan will be followed.

When do I need to submit a Capital Expenditure Worksheet?

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

Though some capital expenditures may be deductible for federal income tax purposes, they still may not qualify as medical care under the HCSAccount and IRS regulations unless their medical purpose is properly substantiated. Proper substantiation includes submitting a properly completed:

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

Examples of a capital expenditure include:

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

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

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

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

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

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

Capital Expenditure Worksheet Instructions:

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

- the HCSAccount participant's name
- the HCSAccount participant's NYS EMPLID
- the name of the HCSAccount participant's employer
- the patient's name and
- the patient's relationship to the HCSAccount participant.

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

If you have additional questions, or need to request a Letter of Medical Need, visit the NYS Flex Spending Account website at www.flexspend.ny.gov or contact Customer Service at 1-800-358-7202 (press 1).

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

Capital Expenditure Worksheet

Please print all requested information to ensure proper handling. See reverse side for additional information.

Participant Name: _____ Participant's NYS EMPLID: _____

Participant's Employer: _____

Name of Patient Receiving Medical Care: _____ Patient's Relationship to Participant: _____

- I understand that I must submit a Letter of Medical Need that has been properly completed by the health care professional treating the above-named patient, along with my reimbursement request. (Information on how to obtain a Letter of Medical Need is on the other side of this document.) The Letter of Medical Need substantiates that I seek reimbursement of:

_____ Medically-Necessary Capital Expenditure

which is medically-necessary for the treatment of:

_____ Medical Condition

		Example 1*	Example 2 [†]
1. Enter the cost for the capital expenditure.	1. _____	<u>\$1,000</u>	<u>\$8,000</u>
2. Enter the value of the property immediately after the improvement.	2. _____	<u>\$120,000</u>	<u>\$124,400</u>
3. Enter the value of the property immediately before the improvement.	3. _____	<u>\$120,000</u>	<u>\$120,000</u>
4. Subtract Line 3 from Line 2 to determine the increase in the property value due to the capital expenditure. To calculate the amount that may be eligible for reimbursement: • if there is no increase to the property's value, continue to Line 5. • if there is an increase to the property's value, go to Line 6.	4. _____	<u>\$0</u>	<u>\$4,400</u>
5. If there is no increase in property value, you must determine patient usage. a) If the patient is the only user of the improvement, enter the amount from Line 1 here. This is the amount that is eligible for reimbursement. b) If the patient is not the sole user of the improvement, multiply Line 1 by the percentage of time during the plan year that only the patient uses the improvement. Your calculations must be included with your HCSAccount Reimbursement Request Form, or a separate document attached to it. This is the amount eligible for reimbursement.	5 a. _____ 5 b. _____	<u>\$1,000</u>	
6. If there is an increase in property value, subtract Line 4 from Line 1 to calculate the amount of the increase. a) If the patient is the sole user of the improvement, the amount entered on Line 6 is the amount that is eligible for reimbursement. Copy it here. b) If the patient is not the sole user of the improvement, divide Line 6 by the number of individuals who use the improvement during the plan year. Your calculations must be shown on your HCSAccount Reimbursement Request Form, or a separate document attached to it. This is the amount eligible for reimbursement.	6. _____ 6 a. _____ 6 b. _____		<u>\$3,600</u> <u>\$900</u>

* Railings and support bars are installed in the bathrooms of your home on the advice of your doctor. The total cost of the addition is \$1,000, and the value of your home has not been increased because of the addition. Only the patient uses the railings and support bars.

† An elevator is installed in your home on the advice of your doctor. The total cost of the addition is \$8,000, and an Independent third-party appraisal shows the value of your home has increased by \$4,400 because of the addition. The elevator is used by a family of four.

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

Example 2 Calculation:

\$8,000
-\$4,400
\$3,600
÷ 4
<u>\$900</u>