

# Capital Expenditure Worksheet Instructions

## Why would I need to submit a Capital Expenditure Worksheet?

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

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

FBMC, along with your Employer, has developed these instructions to assist you in complying with this agreement by explaining how and when to use a Capital Expenditure Worksheet.

## How do I seek reimbursement?

In order for incurred expenses to be reimbursed from your Medical Expense FSA, you must follow these instructions. Only the cost of medical care and services permitted under both IRS Code § 213 and your Employer's Medical Expense FSA 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 your Employer's current plan year Flexible Benefits Plan Reference Guide and on your FSA Reimbursement Request Form. For more assistance or to obtain a sample form, visit FBMC's Web site at [www.fbmc-benefits.com](http://www.fbmc-benefits.com), contact Fringe Benefits Management Company (FBMC) Customer Service by e-mail at [webcustomerservice@fbmc-benefits.com](mailto:webcustomerservice@fbmc-benefits.com) or call 1-800-342-8017, 7 a.m. to 10 p.m., Monday through Friday.

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

## When do I need to submit a Capital Expenditure Worksheet?

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

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

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

Examples of a capital expenditure include:

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

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

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

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

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

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

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

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

If you have additional questions, or need to request a Letter of Medical Need, visit FBMC's Web site at [www.fbmc-benefits.com](http://www.fbmc-benefits.com), contact FBMC Customer Service by e-mail at [webcustomerservice@fbmc-benefits.com](mailto:webcustomerservice@fbmc-benefits.com) or call 1-800-342-8017.

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

# Capital Expenditure Worksheet

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

**Participant Name:** \_\_\_\_\_ **Participant's Social Security Number:** \_\_\_\_\_

**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 <b>after</b> the improvement.	2. _____	<u>\$120,000</u>	<u>\$124,400</u>
3. Enter the value of the property immediately <b>before</b> 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 <b>no</b> 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 <b>no</b> increase in property value, you must determine patient usage. a) If the patient is the <b>only</b> user of the improvement, enter the amount from Line 1 here. This is the amount that is eligible for reimbursement.	5 a. _____	<u>\$1,000</u>	_____
b) If the patient is <b>not</b> the sole user of the improvement, multiply Line 1 by the percentage of time during the plan year that <b>only</b> the patient uses the improvement. Your calculations must be included with your FSA Reimbursement Claim Form, or a separate document attached to it. This is the amount eligible for reimbursement.	5 b. _____	_____	_____
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.	6. _____	_____	<u>\$5,600</u>
b) If the patient is <b>not</b> 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 FSA Reimbursement Claim Form, or a separate document attached to it. This is the amount eligible for reimbursement.	6 b. _____	_____	<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.

<b>Example 2 Calculation:</b>
\$8,000
- \$4,400
<u>\$3,600</u>
÷ 4
<u>\$900</u>