

TOWN OF APPLE VALLEY

QUALIFIED SMALL EMPLOYER HEALTH REIMBURSEMENT ARRANGEMENT (QSEHRA) PLAN

This Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) Plan (the “Plan”) is made and effective July 1, 2023,

RECITALS

WHEREAS, Town of Apple Valley (the “Company”), a municipal corporation organized and existing under the laws of the State of Utah, with its head office located at:

1777 N. Meadowlark Dr
Apple Valley, UT 84737

desires to establish a plan to reimburse eligible medical expenses in lieu of a cost-prohibitive group health insurance plan.

RESOLVED, The Company shall fully fund this arrangement for each eligible employee from which covered expenses (as defined in Section 213 of the Internal Revenue Code) for the employee or their dependents shall be reimbursed. Reimbursements shall not exceed the maximum statutory limits established for the year.

RESOLVED, the submission of medical expenses must be in a form and in sufficient detail to meet the requirements of the Company. Expenses may be submitted until March 31 for the previous calendar year.

RESOLVED, the Plan shall be administered in a nondiscriminatory manner (as defined in Section 150(h) of the Internal Revenue Code) and shall remain in effect until modified or terminated by a later resolution.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Company adopts this Plan as follows:

ARTICLE I. PURPOSE AND ESTABLISHMENT

1.1 Purpose

Effective as a July 1, 2023, Company establishes a QSEHRA Plan under the Cures Act of 2016 effective July 1, 2023 for the benefit of all eligible employees under Section 105(b), (e) of the internal Revenue Code as from time to time amended.

1.2 Name

The name of the Plan is Town of Apple Valley Qualified Small Employer Health Reimbursement Arrangement (QSEHRA).

1.3 Plan Not Subject To a Cafeteria Plan

This Plan may only be fully funded by the Company. No salary reduction contributions may be made under this arrangement.

1.4 Effective Date

The provisions of the Plan, as set forth herein, shall only apply to an eligible employee who is in the active employ of the Company on or after July 1, 2023.

1.5 Termination

This plan shall continue on a year-to-year basis until terminated by the Employer.

ARTICLE II. DEFINITIONS AND CONSTRUCTION

2.1 Definitions

Where the following words and phrases appear in this Plan, they shall have the respective meanings set forth in this Article, unless the context clearly indicates to the contrary.

- a) Plan: The HRA Plan for Employees working for the Company, the Plan set forth herein, as amended from time to time.
- b) Employer: Town of Apple Valley, a municipal corporation organized and existing under the laws of the State of Utah, or its successor.
- c) Committee: The person or persons appointed pursuant to Section 6 to assist the Employer with the Plan Administration in accordance with said Section.
- d) Employee: Any person who, on or after the Effective Date, is receiving remuneration for personal services rendered to the Employer.
- e) Dependents: An individual who is a dependent of a Participant within the meaning of Section 152(a) of the Code, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof, and includes any child (as defined in Code Section 152(f)(1) of the Participant, including a child under a Qualified Medical Child Support Order, who

as of the end of the taxable year has not attained age 27. A Spouse is an individual who is legally married to a Participant.

- f) Participant: An Employee participating in the Plan in accordance with the provisions of Section 3.1.
- g) Fiduciaries: The Employer and the Committee, but only with respect to the specific responsibilities of each for Plan administration, all as described in Section 6.1.
- h) Participation: The period or periods during which an Employee participates in this Plan as determined in accordance with Section 3.1.
- i) Compensation: The total of all amounts paid to a Participant for a given Year by the Employer for personal services and reported as wages for purposes of income tax.
- j) Effective Date: July 1, 2023, the date on which the provisions of this Plan became effective.
- k) Year: The 12-month period commencing on January 1 and ending on December 31.
- l) Code: The Internal Revenue Code and any other Codes relating to issues contained in this Plan, as amended from time to time.
- m) Qualifying Medical and Health Care Expenses: Expenses as defined in Section 213(d) of the Internal Revenue Code.

2.2 Construction

The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, unless the context clearly indicates to the contrary. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise indicates. The words “hereof”, “herein”, “hereunder” and other similar compounds of the word “here” shall mean and refer to the entire Plan and not to any particular provision, Section or Article. Article and Section headings are for convenience of reference and not intended to add to or subtract from the terms of this Plan.

ARTICLE III. PARTICIPATION, ENROLLMENT, NOTIFICATIONS, AND TERMINATION

3.1 Participation

An eligible Employee shall participate in the Plan for any Year in which he meets the following requirements:

- a) He/she has performed services for the Employer at some time during the Year for at least 90 days
- b) He/she is a Full-Time Employee, working 30 hours or more per week
- c) He/she is not subject to collective bargaining
- d) He/she is not a non-resident alien
- e) Individuals who are self-employed as described in section 401(c) of the Internal Revenue Code, including sole proprietors, or partners in a partnership

3.2 Enrollment

The Employee shall enroll in the Plan on an approved form approved by the Committee after being notified of eligibility.

3.3 Notifications

The Company shall notify an Employee in writing when he first becomes a Participant. Subsequent notices shall be given at least 90 days before the beginning of each Year. Such notification shall include information required to be furnished by IRS.

3.4 Termination

An Employee is automatically terminated as a Participant from the Plan on the earliest of the following dates:

- a) The date on which this Plan is terminated by the Employer;
- b) The date on which the Participant's employment is terminated, whether termination is initiated by the Participant or the Employer.

ARTICLE IV. BENEFITS

4.1 Generally

This Plan provides for the payment of, or the reimbursement of, medical expenses (as defined in the IRS Code Section 213(d)) of an eligible Employee and Dependents as follows:

- a) Employee must provide proof of Minimum Essential Coverage (MEC) at the beginning of the Plan Year or when Employee becomes eligible to participate in the Plan. This proof must consist of either (a) a document from a third party (for example, the insurer) showing that the Employee and dependents have coverage (for example, an insurance card or an explanation of benefits) and an attestation by the Employee that the coverage

is MEC; or (b) an attestation by the Employee stating that the Employee and Dependents have MEC, the date coverage began, and the name of the provider of the coverage. If employee is not covered under MEC for any month, the Employee may be subject to tax under the individual mandate requirement of the Affordable Care Act and reimbursements may then be includable in gross income.

- b) Payments and reimbursements for any year shall be no more than the statutory limit of that Year. In the case of an Employee who is not covered for the entire year, the limitations are prorated.
- c) Reimbursements shall be included as a line item in the Employee's payroll checks as a non-taxable addition.

4.2 Qualifying Health and Medical Care Expenses

For this purpose, "medical expenses" means expenses for medical care, as defined in section 213(d) (which includes premiums for other health coverage, such as individual health insurance policies).

4.3 Carry-Forward

Benefits not used in a prior year may be carried forward subject to the maximum statutory limit. If an Employee's participation in the Plan ends, the period of coverage ends on the day of the terminating event. Any expenses incurred after that date are ineligible for reimbursement. If the Employee has not incurred Qualified Expenses equal to the amounts allocated on their behalf under this Plan before that date, the unused amount is forfeited to the Employer. All forfeited amounts become the property of the Employer.

4.4 Refund of Duplicate or Non-Qualifying Reimbursement

A reimbursement made to an Employee that is not a qualifying expense (i.e., duplicate reimbursement, or reimbursement for an expense not covered by an MEC, or non-medical expenses) shall be deemed taxable or may be repaid with after-tax funds. The repayment must be paid by March 15 of the year following the year in which the error was identified.

4.5 Reporting Requirement

Reimbursed medical expenses are excludable from gross wages. However, the Employee's permitted (maximum benefit allowed by Employer) benefit shall be reported on the W-2 in Box 12 with a code of FF. Any non-qualifying reimbursements not repaid shall be included in the Employee's gross wages as taxable.

ARTICLE V. ADMINISTRATION

5.1 Fiduciary Responsibility

The Fiduciaries shall have only those specific powers, duties, responsibilities and obligations as are specifically given them under this Plan. The Employer shall have the sole responsibility for funding the Plan and shall have the sole authority to appoint and remove members of the Committee, and to amend or terminate this Plan. The Committee shall have the sole responsibility for the administration of this Plan, which responsibility is specifically described in this Plan.

5.2 Funding

There are no segregated funds or Plan assets required or established to maintain this Plan. Reimbursements shall be made from the Company's general assets. Annual allocations designated by the Employer shall be monitored for each enrolled Participant in a manner deemed appropriate by the Employer.

5.3 Committee

The Plan shall be administered by a Committee consisting of at least two people who shall be the Town Administrator and Payroll Processor of the Employer.

5.4 Claims Procedure

The Committee shall make all determinations as to the eligibility of any Employee for Plan Participation or an Employer contribution. Any denial by the Committee of the claim for benefits under the Plan by an Employee shall be stated in writing by the Committee and delivered or mailed to the Employee; and such notice shall set forth the specific reasons for the denial, written to the best of the Committee's ability in a manner that may be understood without legal or actuarial counsel. In addition, the Committee shall afford a reasonable opportunity to any Employee whose claim for benefits has been denied for a review of the decision denying the claim.

5.5 Records and Reports

The Committee shall exercise such authority and responsibility as it deems appropriate to comply with governmental regulations relating to records of the Employer contributions made hereunder, notifications to Participants, and reports, if any.

5.6 Other Committee Powers and Duties

The Committee shall have such duties and powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following:

- a) To construe and interpret the Plan and decide all questions of eligibility;
- b) To prepare and distribute, in such manner as the Committee determines to be appropriate, information explaining the Plan;
- c) To receive from the Employer and form Participants such information as shall be necessary for the proper administration of the Plan;
- d) To furnish the Employer, upon request, such annual reports with respect to the administration of the Plan as are reasonable and appropriate;

The Committee shall have no power to add to, subtract from or modify any of the terms of the Plan, or to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements of eligibility under the Plan

5.7 Decisions

All decisions of the Committee shall be uniformly and consistently applied to all Participants in similar circumstances. When making a determination or calculation, the Committee shall be entitled to rely upon information furnished by a Participant, the Employer or the legal counsel of the Employer.

5.8 Notifications and Forms

The Committee may require a Participant to complete and file with the Committee any and all forms approved by the Committee, and to furnish all pertinent information requested by the Committee. The Committee may rely upon all such information so furnished it, including the Participant's current mailing address.

ARTICLE VI. EMPLOYER RIGHTS

6.1 Non-Guarantee of Employment

Nothing contained in this Plan shall be construed as a contract of employment between the Employer and any Employee, or as a right of any Employee to be continued in the employment of the Employer, or as a limitation of the right of the Employer to discharge any of its Employees, with or without cause.

6.2 Action by Employer

Any action by the Employer under this Plan may be by any person or persons duly authorized to take such action.

6.3 Amendments

The Employer reserves the right to make from time to time any amendment or amendments to this Plan which do not cause any part of Employer contributions hereunder to be used for, or diverted to, any purpose other than the exclusive benefit of Participants, provided however, that the Employer may make any amendment it determines necessary or desirable, with or without retroactive effect, to comply with the Code or any other federal law and regulations issued pursuant thereto.

6.4 Right to Terminate

The Plan is intended to be permanent, but the Employer reserves the right to terminate the Plan at any time.

IN WITNESS WHEREOF, the Employer has executed this Agreement with full knowledge of its content and significance and intending to be legally bound by the terms hereof the day and year first above written.

TOWN OF APPLE VALLEY

Frank Lindhardt, Mayor
Authorized Signature

Jenna Vizcardo, Clerk/Recorder
Attest Signature

Town of Apple Valley Qualified Small Employer HRA (QSEHRA)
Summary Plan Description

Plan Number: The Plan Number, if not stated elsewhere, is 501.

Adopting Employer/Plan Administrator:

Name: Town of Apple Valley
Address: 1777 N. Meadowlark Dr, Apple Valley, UT 84737
Phone Number: 435-877-1190
EIN Tax Number: 30-0294253

The Employer will accept service of process for this Plan as Plan Administrator. The Plan Administrator has the discretionary authority to:

- Interpret the Plan in order to make eligibility and benefit determinations,
- Make factual determinations as to whether any individual is eligible and entitled to receive any benefits under the Plan, and
- Terminate or amend this Plan.

Plan Year: January 1st through December 31st

Waiting Period: 90 days, (not to exceed 90 days)

Maximum Benefit:

This is the maximum amount of benefits that will be paid out during the course of the Plan Year. Employees enrolled in this QSEHRA will be eligible to receive reimbursements from the general assets of the Employer for services incurred in a Plan Year or the remaining portion of a Plan Year in which they are enrolled.

Employee Only: One hundred percent (100%) of the statutory maximum
Family: \$0

Carry Over:

This is the amount of unused benefits that can be carried over from one Plan Year to the next Plan Year. The maximum amount allowed for any Plan Year, including any amount carried over from the prior Plan Year, cannot exceed the QSEHRA Annual Maximum Benefit as defined by The Cures Act. The Maximum Benefit noted above may not be the same as the QSEHRA Annual Maximum Benefit defined by The Cures Act.

Important Information about Your QSEHRA Coverage for 2023

Effective July 1, 2023, the Town of Apple Valley sponsors a new type of medical reimbursement plan—called a qualified small employer health reimbursement arrangement (or QSEHRA)—for eligible employees. A recent change to the federal tax laws makes it possible for small employers like this company to sponsor this type of employee benefit. The QSEHRA is an important benefit because it can be used to pay (or reimburse you) for premiums for individual health insurance policies and/or other out-of-pocket medical expenses allowed in the IRS Code Section 213(d).

Please read below for key information regarding your QSEHRA coverage.

- **Maximum Annual Benefit:** The maximum benefit under the QSEHRA for this year is \$5,850 for employee only and \$11,800 for employee with dependents. Your final benefit will be determined once your 2023 health insurance premium is established and reported on the Health Expenses Reimbursement Form.

- **Exchange Coverage:** If you purchase health insurance through an Affordable Care Act (ACA) Exchange and you apply for advance payment of the premium tax credit, **you will need to provide the Exchange with information about your maximum QSEHRA benefit.**

There are special rules for coordinating your QSEHRA coverage with your eligibility for a premium tax credit. If your QSEHRA benefit makes your health insurance coverage “affordable” under a federal definition, you will not be eligible for a premium tax credit. If your coverage is not affordable, you may still be eligible for a premium tax credit, but the amount of the credit will be reduced by your QSEHRA benefit.

- **Tax Rules:** In general, payment or reimbursements from the QSEHRA are not included in your income for federal tax purposes. **However, if you do not have health insurance coverage that qualifies as “minimum essential coverage” for any month, you may be subject to a penalty under the ACA for that month and any reimbursements you receive from the QSEHRA may be taxable to you.**

For more information on your QSEHRA coverage, contact Jauna McGinnis or Michelle Kinney at 435-877-1190.

Please sign and date this notice below. Return as soon as possible.

Signature: _____

Date: _____

ENROLLMENT FORM

(Please Print All Information)

Participant Name: _____ Social Security Number: _____

Address: _____ Date of Birth: _____

Phone Number: _____ Email Address: _____

Status (Check One):

____ New Hire (Hire Date: ____/____/____)

____ Current Eligible Employee

ENROLLMENT

I have been notified and understand that I am eligible to participate in the Town of Apple Valley Qualified Small Employer Health Reimbursement Arrangement. I have the following **Minimum Essential Coverage (MEC)** coverage:

Health Coverage Name	Effective Date	Person(s) Covered

Attach additional sheets if necessary.

ATTESTATION

I am attesting to the following:

I, _____ (insert name), am covered under the above stated health coverage(s). The coverage began on the date as stated above. The coverage is MEC.

Complete the following if a family member's expenses can be reimbursed from the QSEHRA.

The above stated family member(s) is/are covered under the above stated health coverage(s).
The coverage began on the date as stated above. The coverage is MEC.

I hereby affirm that the above information is true and accurate.

Employee Signature: _____ Date: _____

HEALTH EXPENSES REIMBURSEMENT FORM

IDENTIFICATION

Employee Name: _____

HEALTH INSURANCE PREMIUMS (check one) ____ Single Reimbursement ____ Recurring

Effective Date	Name of Insurance	Monthly Premium
_____	_____	_____
_____	_____	_____
_____	_____	_____

MEDICAL EXPENSES for (check all that apply) ____ Employee ____ Employee Dependent

Date of Service	Physician or Other Provider	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____

*****Attach copy of Invoice or EOB*****

I certify that the statement and information on this reimbursement form are accurate and true. I also certify that I am claiming reimbursement for only eligible expenses incurred during the plan year and only for eligible plan participants. I certify that these expenses have not been or will not be reimbursed under this or any other health plan. I further certify I will not claim these, or any other expenses reimbursed through this plan, as an income tax deduction and I assume all liability for taxes and penalties out of any disallowed deduction/credit.

I am covered under the following health coverage: _____ (insert name of the health coverage). The coverage continues to be minimum essential coverage (MEC).

Complete the following if a family member's expense is being reimbursed from the QSEHRA.

The following family member _____ (insert name(s)), is/are covered under the following health coverage: _____ (insert name of the health coverage). The coverage continues to be MEC.

I hereby affirm that the above information is true and accurate.

Employee Signature: _____ Date: _____

INSTRUCTIONS FOR MEDICAL REIMBURSEMENT

Only employees participating in the plan can submit a reimbursement form; employees may be reimbursed from the plan at any time during the plan year.

Reimbursements may only be made for eligible expenses incurred during the plan year.

Complete the information on the reimbursement form for each amount claimed.

If you receive reimbursement for expenses, you may not claim these expenses for income tax purposes.

You must sign the form, thereby swearing that you have not and will not submit these expenses for reimbursement from another plan.

Documentation must be invoices or other written statements from the third parties that provided the services.

The documentation must show the providers name and address, the dates the services were provided, the amounts charged for the services, and a brief description of the services.

For services that you have insurance coverage, you **MUST** submit the Explanation of Benefits from your insurance company.

In general, the types of expenses for medical services that can be reimbursed by the Plan are the same types of expenses that the Internal Revenue Service would allow for the health expense deduction under Internal Revenue Code Section 213. Further information can be found by obtaining IRS Publication 502.