

# A guide to end-of-the-year Carrot reimbursements and adjustments

## Know how it may affect your W-2 and taxes

### Reimbursement Requests Submitted in November and December

#### IS IT CONSIDERED TAXABLE INCOME?



Carrot benefit claims that are **not** considered a **qualified medical expense, or QME**, will be considered taxable income on an upcoming paycheck.



This means that your paycheck will be significantly reduced, depending on your Carrot benefit usage and your tax situation.

#### PAYROLL PROCESS TAKES TIME

Once the information is received from Carrot, it can take UC one to two payroll cycles to process your Carrot benefit.



Carrot reimbursements, adjustments or Carrot Card transactions in November and December will not be reflected in your paycheck and will result in a corrected W-2.

#### EXPECT CORRECTED W-2



Submitting claims for reimbursement in November or December — or using your Carrot Card toward the end of the year — will result in you receiving a corrected W-2. This is because taxable fertility-related benefits must be included in the year they were paid.

**Carrot transactions made late in the year could delay your tax filing, require a refiling, affect your tax return, and result in a higher tax responsibility than you originally expected.**

To avoid receiving a corrected W-2, consider delaying Carrot services and/or filing for reimbursements during the end-of-year period until the following year.

# What If Taxable Expenses Are Later Found To Be Non-Taxable?

## CORRECTED W-2 WILL BE SENT



Expenses you previously paid taxes on, that are deemed non-taxable after November, will result in a corrected W-2 to reflect the change in taxable income.

## DON'T FORGET TO SUBMIT DOCUMENTATION!



It's important to submit proper documentation to Carrot when requesting reimbursement (or after using the Carrot Card) to claim your expenses as a QME and avoid being taxed on expenses that shouldn't be taxable.

Carrot adjustments made late in the year **could delay your tax filing, require a refiling, affect your tax return, and result in a higher tax responsibility** than you originally expected.

# Where Is the Carrot Benefit Shown on My W-2?

## FIND IT IN W-2 BOX 12T



If Carrot reimburses you for care or a treatment that is **not** a **qualified medical expense (QME)**, the IRS considers it **imputed income**. These reimbursements will be included in your W-2 Box 12T and may affect your taxes.

# Contact A Tax Professional



Before using your Carrot benefits or submitting expenses, consider consulting with a tax professional regarding possible tax liabilities.

Interested in learning more?  
Visit [ucresidentbenefits.com](https://ucresidentbenefits.com).

## What's imputed income? What about a qualified medical expense (QME)?

Not familiar with these terms? You're not alone. Here's the gist:

**Imputed income** occurs when you receive a specific benefit outside of your wages. In this case, it's reimbursed funds from Carrot. So, while you don't have to pay for the cost of the benefit, you do have to pay taxes on the benefit amount you receive.

A **qualified medical expense, or QME**, is an expense related to medically necessary care you receive that could be deducted as a medical expense on your yearly income tax return. In other words, because it's deemed as medically necessary, you don't have to pay taxes on the benefit amount you receive.