

How Carrot benefits can affect your paycheck

Before you submit that reimbursement claim or use your Carrot Card, make sure you understand how your future paycheck(s) could be affected. Carrot care or treatment that *does not qualify as medically necessary* is considered imputed income and is taxable to **you**. This could significantly reduce your future paychecks and could possibly leave you with \$0 take-home pay.

Is the family planning service/treatment you (or your spouse) received a qualified medical expense (QME)?

Yes

Your paycheck will not be affected. You can submit a reimbursement claim or use your Carrot Card, and no taxes will be withheld.

No

You will owe taxes on your reimbursement amount, and UC will withhold additional taxes from your paycheck based on the cost of the services you receive. Depending on the cost of the services and the amount of Carrot benefit funds you use, your paycheck may be greatly reduced, possibly to net zero.

I don't know

If the care you receive is considered a qualified medical expense (QME), you do not have to pay taxes on the cost of that treatment. QMEs include:

- Fertility or preservation care due to an infertility diagnosis issued by a fertility doctor; and
- Preservation care due to medical necessity, as determined by a fertility doctor.

HOW WILL I KNOW IF MY CARE OR TREATMENT IS A QME?

In addition to discussing this with your doctor, a good rule of thumb is that if the care you receive is not medically necessary, you may be taxed.

Check out
> **Social and Family > How Carrot Affects Your Taxes.** If you cannot find clarity there, consult with a tax professional.



Learn more at ucresidentbenefits.com.

Please note: UC cannot offer tax advice. Please consult with your tax professional. If you'd like help on how to determine whether a service qualifies as a QME, contact Carrot.

Four tips to help you avoid a \$0 paycheck

It's important to plan when using Carrot, as **taxes will be deducted from a single paycheck and not spread over multiple pay periods**. This could result in a paycheck as low as \$0. Review these tips to avoid receiving a significantly reduced or \$0 paycheck:

1

Before submitting your eligible expenses for reimbursement, work with your medical provider's billing office to spread them out over multiple months.

2

If you are paying out of pocket, consider submitting smaller reimbursement requests over time instead of one large lump sum. Taxes will be taken only from the amount you're reimbursed in that pay period.

3

For qualified medical expenses (QMEs): Submit your documents to Carrot on time to avoid unnecessary taxation. If documentation is submitted late and the reimbursement is taxed, it may take several payroll cycles to process the correction once the expense is verified as nontaxable.

4

For non-QME reimbursements: Once taxable expenses are reported to Payroll for a given pay period, they are final for that period and cannot be adjusted. Submitting large taxable expenses at once may result in a \$0 paycheck.

Get help!

Have questions for the Carrot Care Team? Reach out for help.



Phone: (855) 459-0059
Monday–Friday, 5 a.m.–3 p.m. PT



Website:
Monday–Friday, 24 hours a day



Carrot Fertility mobile app on the
App Store or Google Play