

Flexible Spending Accounts

Flexible Spending Accounts (FSAs) allow you to set aside a portion of your annual earnings on a before-tax basis to pay for many of the out-of-pocket health and dependent care expenses that you incur during the year. Lowe's offers spending accounts through its Health Flexible Spending Account (Health FSA) and Dependent Day Care Flexible Spending Account (DCFSA), for its regular full-time employees and their eligible dependents.

You can use the Health FSA for expenses not covered by the medical, vision, dental, or pharmacy plans, including:

- Deductibles and co-payments;
- Charges that exceed reasonable and customary levels;
- Over-the-counter (OTC) medications taken for medical care with a doctor's prescription; and
- Expenses not covered by Lowe's medical or dental options, such as routine eye exams.

The DCFSA lets you save on the cost of day care. You can use your DCFSA to pay for care for your eligible dependents while you and your spouse, if you're married, are at work or attend school.

How Spending Accounts Work

The Health FSA and DCFSA are administered by WageWorks. You may enroll in both the Health FSA and the DCFSA. You are not eligible to enroll in the Health FSA if you are enrolled in the Lowe's High Deductible Health Plan (HDHP) Medical Plan Option or in another High Deductible or Consumer Driven Health Plan. Your enrollment elections will be in effect during the entire calendar year. The amount you choose to contribute to your spending account(s) will be deducted from your regular pay in equal amounts throughout the year.

All eligible Health FSA and DCFSA expenses must be incurred during the year for which you make your account deposits. An expense is considered incurred when the service is provided, not when you are billed or when you pay for it.

Unused Account Balance

Before you enroll in either the Health FSA or DCFSA, you must estimate carefully your health and dependent care expenses for the Plan year. The Internal Revenue Service (IRS) only permits you to carry over up to \$500 from your 2016 Health FSA into 2017 and there is no carryover allowance for DCFSA. Any amounts remaining over this allowance will be forfeited. In addition, you cannot:

- Receive a refund of any unused balances;
- Transfer your funds from one account to the other;
- Carry funds over from one year to the next over the \$500 allowance (for Health FSA; no carryover for DCFSA); or
- Stop making deposits until the following January 1 unless an eligible family status change occurs.

Changing Your Elections

In exchange for the tax advantages provided by the Health FSA and DCFSA, the IRS limits your ability to make changes during the year. As a result, you can only change your Health FSA and DCFSA elections during the course of the year if you have an eligible change in status. The type of change you can make must be consistent with your change in status. See "Making Changes to Your Coverage During the Year" in the [Plan Overview](#) section for more details about changing your election.

Spending Account Tax Advantages

You don't pay federal or Social Security (FICA) taxes, and, in most locations, state or local income taxes, on the portion of your pay that is credited to your spending accounts.

If you're a highly compensated employee (as defined by the IRS), the maximum amount you can contribute to the DCFSA may be limited. You'll be notified by Group Benefits if these limits apply to you.

Health FSA

The Health FSA lets you pay for eligible health care expenses with before-tax dollars, thereby reducing your taxable income.

How Much Can You Deposit

You may deposit a minimum of \$250 and up to \$2,500 a year in your Health FSA. The amount will be deducted on a pre-tax basis in equal amounts from each paycheck you receive during the year.

Eligible Dependents

For the Health FSA, you may claim eligible health care expenses for anyone you claim as a dependent on your federal income tax return (e.g., dependent children or elderly parents). These dependents do not have to be covered by the Lowe's Companies, Inc. Group Medical, Dental, or Vision Plan Options. Refer to the "[Plan Overview](#)" document, in sections: "Dependents Under the Health FSA" and "Dependents under the Dependent Day Care Spending Account" section for more information on eligible dependents. Domestic partners and/or domestic partner children are not eligible dependents for the Health FSA or Dependent Day Care FSA unless they qualify as your legal dependent under Federal Law.

How the Health Flexible Spending Account Works

You can use your Health FSA to pay on a pre-tax basis for healthcare expenses incurred by you and your eligible dependents if the expenses are not reimbursable or covered by any medical, vision, or dental insurance option. The IRS specifies the kinds of expenses that may be paid through a healthcare

spending account. You cannot take a deduction on your federal income tax return for any healthcare expenses for which you have been reimbursed through your Health FSA. The full election amount for this account is available on day one (January 1) of the plan year, regardless of deposits posted.

The following general listings of eligible and ineligible healthcare expenses are based, in part, on Internal Revenue Service information. Call the IRS toll-free at 1-800-829-3676, or visit the IRS website at www.irs.gov for more information. You can also find an extensive list of eligible and ineligible expenses on the Health FSA portion of the WageWorks spending accounts website, accessible via the employee portal at www.myloweslife.com (My Lowe's Life>My Benefits >Full-Time Employees> Contacts>Other Providers>WageWorks) or by www.mylowesbenefits.com

To be eligible for reimbursement from your Health FSA, expenses must be incurred during a coverage period (see "[When Coverage Starts](#)" Section in the Plan Overview section and "[End of Year Claims](#)" section in this booklet for more information).

Eligible Healthcare Expenses

You may receive reimbursement from your Health FSA for healthcare expenses that have not been reimbursed from other sources. Here are some examples of eligible healthcare expenses:

- Deductibles and co-payments (including those from other employers' plans);
- Fees for doctors, dentists, and hospital services not covered by a medical or dental option (e.g., routine eye exams);
- Charges that exceed usual and customary amounts. See Definitions for an explanation of the terms usual and customary, and allowed amount;
- Medical equipment and supplies (must be prescribed and not available over the counter);
- Reconstructive cosmetic surgery (surgery that is medically necessary to correct a deformity from a hereditary abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease);
- Birth control pills or other birth control items prescribed by your doctor (if not covered by your health plan option);
- Infertility treatment(s);
- Capital expenses to install special equipment or make home improvements if the main purpose is medical care (such as installing entrance and exit ramps);
- Equipment and materials required for using contact lenses, such as saline solution and enzyme cleaners;
- Over-the-counter (OTC) drugs taken for medical care with a doctor's prescription. An OTC drug is for medical care if it is taken to treat a medical condition or to affect a function or structure of the body. Due to IRS rules, OTC drugs are not eligible for FSA reimbursement without a prescription.

You can also find an extensive list of eligible expenses on the Health FSA portion of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloweslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks.)

Ineligible Healthcare Expenses

You may not receive reimbursement from your Health FSA for expenses that are not considered deductible for income tax purposes. Following are some examples of ineligible expenses:

- Payroll deduction amounts and/or premiums for you or your spouse's coverage;
- Athletic club expenses to keep physically fit (even if suggested by a doctor);
- Cosmetic surgery of a non-reconstructive nature (i.e., not necessary to correct a deformity arising from, or directly related to, a hereditary abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease);
- Work-related transportation costs of a disabled person;
- Medical/dental expenses of a former spouse and former dependent;
- OTC drugs taken only for the person's general health (e.g., multivitamins and toiletry items (toothpaste, shampoo, etc.))
- OTC drugs without a doctor's prescription;
- Any medicine or drug that is not legally procured or that violates the Federal Food, Drug and Cosmetic Act.

You can also find an extensive list of ineligible expenses on the Healthcare FSA portion of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloweslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks.)

Child (Dependent) Day Care Flexible Spending Account

The DCFSA lets you deduct money from your pay before taxes to cover your eligible dependent day care expenses.

How Much Can You Deposit

You may contribute between \$250 and \$5,000 per year to your DCFSA. The amount will be taken in equal amounts from each paycheck you receive during the year.

If you're married and file separate tax returns you may each contribute \$2,500. If you file a joint tax return, the amount you can contribute to your DCFSA cannot exceed the lesser of your earned income or your spouse's earned income. If your spouse does not work, you cannot use the DCFSA unless your spouse is disabled, is a full-time student for at least five months of the year, or is looking for work. In these cases, the law assumes that your spouse has a monthly income of \$250 if you have one dependent, or \$500 if you have two or more dependents. If your spouse works part-time, you can be reimbursed for dependent day care expenses, but only for work-related time, such as the time he/she spends at work and commuting to and from work. Your domestic partner and/or your domestic partner's children are not eligible for the DCFSA unless they qualify as your legal dependent under federal law.

"Earned income" means your annual gross earnings (less certain pretax deductions) less your annual deposit to the DCFSA. Your earned income and your spouse's earned income must each be greater than the DCFSA contribution.

How the Dependent Care Flexible Spending Account Works

You can use the DCFSA to pay for eligible dependent care expenses necessary for you—and your spouse, if married, to work. DCFSA expenses are often regular, budgeted expenses, such as the cost of daycare, while you and your spouse work. By being reimbursed for these expenses through the DCFSA, you can increase your take-home pay. This account is a deposit based account which means that you can only be reimbursed up to the deductions that are posted to your account.

Eligible Dependent Care Expenses

The following general listing of eligible dependent care expenses is based on Internal Revenue Service information. Call the IRS toll-free at 1-800-829-3676, or visit the IRS website at www.irs.gov for more information. You can also find an extensive list of eligible and ineligible expenses on the Dependent Care portion of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloweslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks.)

Expenses eligible for payment through your DCFSA include expenses for:

- Wages or salary paid to a care provider (whether inside or outside your home) who is not a dependent and who is age 19 or older;
- Household services, such as preparing meals, related to the care of an eligible dependent;
- FICA and other taxes you pay on behalf of the care-service provider; and
- Nursery schools, prekindergarten, day camps, and daycare centers that meet state or local regulations, provide care for more than six nonresident people and receive fees for services provided.

You can also find an extensive list of eligible expenses on the Dependent Care portion of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloweslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks.)

Ineligible Dependent Care Expenses

Services that do not qualify for reimbursement through your DCFSA include:

- Dependent care provided by a spouse, by a dependent under age 19, or by anyone you list as a dependent on your federal income tax return;
- Dependent care for non-work-related reasons;
- Dependent care provided if your spouse does not work or works different hours than you, unless your spouse is disabled or a full-time student;

- Any expense you plan to take as a credit on your income tax return;
- Transportation to and from a dependent care location if care is provided in a full-time residential institution;
- Overnight care expenses
- Late payment fees;
- Expenses for a provider's food, clothing, and entertainment;
- Expenses that are primarily educational, such as kindergarten;

You can also find an extensive list of ineligible expenses on the Dependent Care portion of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloweslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks.)

To receive reimbursements from the DCFSA, you must provide written receipts showing the caregiver's name and taxpayer identification number or Social Security number. However, if the provider is a charitable organization, such as the YMCA, a church or similar organization, it is not necessary to provide the organization's taxpayer identification number.

Tax Credit vs. Dependent Care Flexible Spending Account

Your participation in the FSAs can affect the way you calculate your federal income tax at the end of the year. For every dollar of reimbursement you receive through the DCFSA, your dependent care tax credit is reduced by one dollar. So if you elect to participate in the DCFSA, you are making a decision NOT to take the federal dependent care tax credit for those expenses.

In many cases, the DCFSA will offer you the greater tax savings-especially if you only have one dependent. However, be aware that in some cases your tax savings may be greater if you take the dependent care tax credit rather than your DCFSA for part or all of your dependent care expenses.

The following table compares the use of a DCFSA versus taking the federal income tax credit. You may want to consult your personal tax advisor to see which method makes the most sense for you.

Using the DCFSA	Using the Federal Income Tax Credit
Minimum annual contribution of \$250	No minimum annual expenses
Maximum annual contribution is \$5,000 (\$2,500 if married, filing separately)	Maximum annual expense applicable toward credit is \$3,000 for one child and \$6,000 for two or more children
Contribution excluded from taxable income	A percentage of expenses is applied as a credit against taxes owed
Contributions free from Social Security taxes	Tax credit doesn't affect Social Security taxes

You must decide on a contribution amount before expenses are incurred and you forfeit any unused amount	You determine tax credit at the end of the year after all expenses are incurred, so there's no risk of forfeiture.
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Impact on Other Benefits

Although spending account contributions lower your pay for tax purposes, your other company benefits under the Plan, such as disability insurance, are based on your earnings before spending account deposits have been withheld.

Please keep in mind that if you pay less Social Security (FICA) tax because of your participation election, then your Social Security benefits at retirement, death, or disability may also be lower. You will pay less FICA tax if your pay is at or below the wage base for Social Security taxes. However, whether your Social Security benefits will actually be lower depends on a number of factors, such as your current age, your earnings before participation in the accounts, and future pay levels.

Account Statements

You can find information regarding your spending account claims and account balances at any time on the Health FSA and DCFSA portions of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloweslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks.) You can also call WageWorks at 1-877-924-3967.

Filing Claims

The easiest and fastest way to receive reimbursement of your healthcare FSA expenses is to use your WageWorks debit card to pay for eligible products and services. Specific details and eligibility requirements for purchases is included when you receive your debit card. You should retain a copy of the receipts you receive at the time of purchase in the event WageWorks requires you to provide additional documentation.

The card is not available for use for dependent day care FSA expense reimbursement.

You can submit Health FSA and DCFSA reimbursement claims online at the Health FSA and DCFSA portions of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloweslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks.) You can also file a paper claim or authorize a "pay my provider" payment. You can authorize a "pay my provider" payment at the Health FSA and DCFSA portions of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloweslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks.)

If you wish to submit a paper claim, claim forms for the Health FSA and DCFSA are on the Health FSA and DCFSA portions of the WageWorks spending accounts website, accessible via the Lowe's enrollment

site at www.myloveslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks.) You can also obtain a claim form by contacting WageWorks at 1-877-924-3967. Complete and submit the form, together with written proof of payment of the expenses, online at the Health FSA and DCFSA portions of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloveslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks) or return the form and written proof of payment of the expenses to:

WageWorks
Claims Administrator
P.O. Box 14053
Lexington, KY 40512

Or, fax your claim to 1-877-353-9236.

Health FSA

Use your WageWorks debit card to pay for your eligible non reimbursed health care expenses. The Health Care Debit card should be used for current plan year expenses. You can also authorize a "pay my provider" payment at the Health FSA portion of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloveslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks) or send a completed Health FSA claim form and proof of payment, including an Explanation of Benefits (EOB) form or itemized receipt for non-reimbursed expenses, to WageWorks at the address or fax number above. Previous plan year expenses should be submitted via Pay Me Back or Pay My Provider.

Claims and pay my provider payments may also be submitted using the EZ Receipt app. Download EZ Receipts to your smartphone, log in to your WageWorks account, and check balances, submit claims, and upload photos of receipts for reimbursement. More information can be found at www.wageworks.com/myezreceipts.

Reimbursements from the Health FSA will equal the lesser of:

- The actual amount of your claim*, or
- The total amount you've elected to put in the account for the year, less any reimbursement you've already received.

* If you submit claims by mail for less than \$25, WageWorks will hold them until they total \$25 before making a payment, except at the end of the year when you can submit smaller claims in order to clear the funds in your account.

WageWorks processes Health FSA reimbursement checks on a daily basis, provided that there are sufficient deposits in the employee's account. If there are not sufficient deposits, the payment will not be issued.

DCFSA

You can authorize a "pay my provider" payment at the DCFSA portion of the WageWorks spending accounts website, accessible via the Lowe's enrollment site at www.myloweslife.com (My Lowe's Life>My Benefits>Full-Time Employees>Contacts>Other Providers>WageWorks) or send a completed DCFSA claim form and proof of payment to WageWorks at the address or fax number above. Reimbursement from the DCFSA will equal the lesser of:

- The actual amount of your claim*, or
- The amount of your account balance at the time the reimbursement is made.

* If you submit claims for less than \$25, WageWorks will hold them until they total \$25 before making a payment, except at the end of the year, when you can submit smaller claims in order to clear the funds in your account.

WageWorks processes DCFSA reimbursement checks on a daily basis, provided that there are sufficient deposits in the employee's account. If there are not sufficient deposits, the payment will be pended until notification of deposit.

End of Year Claims

You'll have until May 31 of the following year to file a claim for Health FSA claims. You'll have until March 31st of the following year to file a claim for DCFSA expenses incurred during the prior year. After those dates, you will only be allowed to carry over up to \$500 in your Health FSA; all other amounts remaining in Health FSA and all amounts in DCFSA will be forfeited. These moneys will be used to offset future costs of administering the FSAs, and then according to applicable rules and regulations of the plan.

By January 31st of each year, after you participate in the DCFSA, you'll receive a statement showing the amount of assistance you received during the prior calendar year. You will have to file a Form 2441 and attach it to your 1040 federal income tax return if you participate in the DCFSA.

Termination of Employment and Spending Account Benefits

When you terminate employment from the Company, you will have until May 31st of the year following the termination of your employment to submit for reimbursement eligible Health FSA expenses incurred prior to your termination date. You will have until March 31st of the year following the termination of your employment to submit for reimbursement-eligible DCFSA expenses incurred prior to the termination date. You may elect, if eligible, through COBRA, to continue your Health FSA participation on an after-tax basis through the end of the calendar year in which you terminate employment. If you do so, you will have until May 31st of the year following the termination of employment to submit for reimbursement-eligible Health FSA claims for expenses incurred prior to your COBRA termination date.

Reimbursement checks that are not cashed within 120 days from the date that the check was printed will be voided. DCFSA is not COBRA eligible.

Active Enrollment

To participate in the Health FSA and/or Dependent FSA you must re-enroll each year. Your elections will not carry over to future years and you cannot enroll outside of Annual Enrollment without an eligible change in status.

Commuter Spending Account

The Commuter Spending Account, administered by WageWorks, allows you to set aside a portion of your annual earnings on a before-tax basis to pay for eligible commuter expenses. The Commuter Spending Account offers flexibility and convenience by allowing you to enroll or change your plan elections via the WageWorks portal as often as once a month throughout the year.

How the Commuter Spending Account Works

You can use the commuter benefit for bus, train, subway, ferry, streetcar, and vanpool expenses. You can purchase the transit pass through the transit agency or via the WageWorks' website. WageWorks will mail your pass to your home address before the beginning of the month.

The amount of before-tax dollars that you can use to pay for qualified transportation expenses is subject to monthly limits, which are set by the IRS. For 2016, the maximum monthly before-tax contribution limit is \$255 for transit and vanpool expenses. Up to \$130 will be withheld from your paycheck before-tax.

The balance of your Commuter Spending Account contributions will be deducted from your paycheck on an after-tax basis. As a result, participating in Commuter Spending Account can help you reduce the amount you pay in federal income taxes, Social Security taxes and, where applicable, state and local income taxes.

Transit and Vanpool Options

Transit Options	Vanpool Options
<p>Buy My Pass</p> <ul style="list-style-type: none"> Employees select which pass they wish to purchase and the pass is mailed to their home. 	<p>Direct Pay</p> <ul style="list-style-type: none"> A payment is sent on behalf of the participant directly to the provider.
<p>WageWorks Commuter Card</p> <ul style="list-style-type: none"> Employees can use this card where they pay for their transit expenses. Employees decide how much to load onto their card each month to cover their monthly commuting costs. 	<p>Vanpool Voucher</p> <ul style="list-style-type: none"> A voucher is sent to the participant to use toward the purchase of their vanpool fare.
<p>Transit Agency Smart Cards</p> <ul style="list-style-type: none"> WageWorks loads funds directly onto the transit agency smart card (where available). Some examples include WMATA SmarTrip in Washington DC, Ventra Card in Chicago, and Clipper in San Francisco. 	<p>Pay Me Back</p> <ul style="list-style-type: none"> The employee's vanpool election is deducted from their paycheck on a pretax basis and then used to reimburse them for their vanpool costs. Employees pay for their vanpool fare as they normally do and then submit claims to get reimbursed. Claims can be submitted via paper (if receipts are provided) or online (if no receipts are provided).

Plan Eligibility

All U.S. regular, full-time employees are eligible to participate in the Commuter Spending Account.

All temporary and part-time employees at the following locations are also eligible to participate in the Commuter Spending Account.

Location Number	City, State
1019	San Bruno, CA
1043	Antioch, CA
1132	Union City, CA
1143	Vacaville, CA
1150	Livermore, CA
1552	Gilroy, CA
1583	Staten Island, NY

Location Number	City, State
1597	Staten Island, NY
1674	2nd Ave Brooklyn, NY
1756	San Jose, CA
1871	Vallejo, CA
1895	Fremont, CA
1901	Cotati, CA
2211	Sunnyvale, CA
2273	Dublin, CA
2284	Kings Plaza Brooklyn, NY
2508	Antioch, CA
2604	Concord, CA
2664	Rosedale (Queens) NY
2790	San Jose, CA
2842	San Jose, CA
3095	San Francisco, CA
3164	Fairfield, CA
3256	Washington DC
3292	New York City, NY
3293	New York City, NY

Enrolling in the Commuter Spending Account

With WageWorks, enrolling in the Commuter Spending Account is easy. Eligible employees can enroll, check, or change their Commuter Spending Account benefits via WageWorks or by calling WageWorks at 1-877-924-3967.

With the Commuter Spending Account, you are not required to make annual elections. You can enroll at any time. You can choose commuter benefits for only one month, subscribe to receive a pass on a regular basis, or change your election each month. Although you are not limited to a single annual enrollment, you must make sure that any elections or changes are made by 11:59 PM Eastern Standard

Time on the 10th of the month PRIOR to the month in which you expect to incur your transportation expense. For example, if you wish to use the plan in the month of September, you must make your elections by August 10.

If you do not make any changes, your election will continue from month to month.

Payroll deductions will be withheld on the paycheck for the month in which expenses are expected to incur.

Commuter forfeitures result from situations where an employee has been terminated and has unused credits on their account. Unclaimed Pay Me Back balances are not automatically forfeited at the time of termination. Employees have 6 months after the end of the applicable benefit month to make a claim. Employees may make claims for services after their termination date as long as the services or benefits were during their period of employment. If an employee does not make a claim against a Pay Me Back election, the election will be forfeited.