Flexible Spending Account Education

How they work – and how they can work for you!

What is an FSA?

A Flexible Spending Account is a pretax account you can use to help pay for eligible health care and dependent care expenses.
There are two types of FSAs:

Health Care FSA

Helps pay for eligible medical, dental, vision and prescription drug expenses.

Eligible expenses

- Annual medical and dental plan deductibles, copayments and coinsurances
- Medical and dental expenses not reimbursed by any other plans
- Unreimbursed orthodontic expenses (upon completion of work)
- Eyeglasses, contacts and solutions, LASIK surgery and eye exams
- Prescription medications, and more.

Dependent Care FSA

Helps you and your working spouse pay for dependent care expenses.

Eligible expenses

Care, including child care, elder care, and other eligible dependent care, provided by eligible caregivers for:

- Your dependent child or children age 13 and under
- Any dependent of any age if he or she lives withyou and cannot care for himself or herself, such

  as an elderly parent or disabled child

Note: The IRS requires the tax identification number or the Social Security number of the caregiver when you file for reimbursement.

Contributions

Each year, you decide how much you want to contribute to one or both accounts, up to annual maximum limits. You contribute to your accounts through pretax payroll deductions—which decreases your taxable income. Note that each account is separate. For example, you cannot use dollars in your HealthCare FSA to pay for dependent care expenses.

Each year, you may contribute to one or both accounts depending on the limits set by the IRS and your employer.

Accessing funds

▶ When you incur an expense, you can access the funds in your FSA's as follows, (depending on the methods your employer specifies):

- A debit card, which you can use at the point of service; or
- A claim for reimbursement (claim form and receipt) sent to the FSA administrator.

Review your benefit information for details onhow you can receive FSA reimbursements.

How much should you contribute to an FSA?

If you choose to participate, you decide how much money to contribute to one or both accounts each year. To determine what your per pay contribution will be, estimate your eligible health care and/or dependent care expenses for the next year by looking at your expenses from last year and dividing that amount by the number of pay periods in a year.

Keep in mind:

- If you contribute less than the amount of your actual eligible expenses, you miss out on some tax savings.
- If you contribute more than the amount of your actual eligible expenses, you may lose the extra money, depending on your employer's plan. This is known as the Use it or Lose it Rule, and it's an Internal Revenue Service regulation. Some employers allow for a grace period, while others provide a $500 rollover, so make sure you learn how your employer's FSA plans work.
- If you receive reimbursement for an expense, you cannot deduct it from your income taxes.

If you terminate employment during the year, you can continue to submit claims for reimbursement,but generally only for eligible expenses incurred before the date you ended employment. This mayvary by employer.

Need more information?

For more information about FSAs, including how Health Care FSAs work with Health Savings Accounts, please refer to your benefits guide or contact Alexa Taylor at the Mission & Resource Center.

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