

Flexible Spending Account (FSA)

FSAs let you take money from your paycheck, before it's taxed, to pay for eligible healthcare and dependent daycare expenses. Funds put into the plan avoid Federal Income Tax, FICA and most state taxes, creating a tax savings for both the employee and the employer.

What is a Flexible Spending Account?

A Flexible Spending Account (FSA) is a type of account, provided by your employer, that allows you to put aside money to pay for eligible healthcare and dependent daycare expenses. The money going into the account is taxfree (no payroll tax is withheld) which can save you money on items and services you are already purchasing. By enrolling in a flexible spending account, you may save up to 40% on your healthcare and dependent daycare costs.

What are the Different Types of Flexible Spending Accounts?

A **health FSA** can be used for eligible medical expenses such as copays, coinsurance, deductibles, dental, vision, prescriptions, medical supplies, and procedures. Even over-the-counter medications and menstrual care products are eligible expenses.

A **limited-purpose FSA** is for eligible dental and vision expenses only. It allows those with a Health Savings Account (HSA) to use HSA funds for medical expenses and use limited-purpose FSA funds for other eligible expenses such as orthodontia or glasses.

A **dependent care FSA** can be used for expenses incurred to care for children age 12 and younger, as well as adult tax dependents, who are unable to care for themselves while you are at work.

Health and Limited-Purpose FSAs

Health and Limited-Purpose FSAs are for eligible expenses incurred by the employee, their spouse or eligible dependents.

Employees may use their full annual election amount anytime during the plan year. Any money remaining in an employees' account at the end of the plan year may be lost if their plan doesn't offer a grace period or carry-over feature. Employees should check the plan rules, located in the participant portal, enrollment materials or contact us to make sure they understand what is included in their plan and the deadlines.

When sending in claims or verification for a purchase made with the benefit card, supporting documents can be a receipt, a bill, an explanation of benefits summary and/or any documents that have the provider name, date of service, the type of service and the amount that you are responsible for.

There is no income tax reporting required when participating in a health or limited-purpose FSA. Expenses paid for with an FSA cannot be itemized and resubmitted through an income tax return.

Dependent Care FSAs

A dependent care FSA is used for expenses that are incurred while an employee and their spouse are at work, looking for work or attending classes as a full-time student.

Employees may use their Chard Snyder benefit card, if included in their plan, or be reimbursed for any amount up to the total amount they have contributed through payroll deductions, but not more than their current account balance. Money remaining in an employee's account at the end of the plan year may be lost unless the plan offers a grace period. Employees should check their plan rules, located in the participant portal, their enrollment materials or contact us to make sure they understand what is included in their plan and the deadlines.

When sending in claims, supporting documents can be a signed claim form from the daycare provider with the dates of service, the dependent's name and the amount. Employees give information about their daycare provider (name, address and tax ID number, or social security number if an individual) on Form 2441 or Schedule 2 of their income tax return.

Employees cannot take both the Dependent Care FSA deduction and an income tax return deduction for the same expense. It may be better for some employees to use the federal child care tax credit depending on their income level, their spouse's income level and their number of dependents. Employees should contact their tax advisor to discuss how they might use this benefit with the child care tax credit.

Am I Eligible for a Flexible Spending Account?

In general, all you need to be eligible for an FSA is to be employed by an employer who offers an FSA. Unlike the HSA, you are not required to have a High Deductible Health Plan. You should not be enrolled in a health FSA if you are contributing to a health savings account (HSA).