



# Flexible Spending Accounts

Bank on a Tax Break

310 First Street, Suite 600, Roanoke, VA 24011  
Ph: (800) 815-3023, option 4

# Health Care Flexible Spending Account (FSA)

## ● Contributions

You determine each year how much money you want to contribute to a Health Care FSA through salary reduction. Your taxable salary will be reduced by the amount of money you elect to contribute each pay period. If you terminate employment and have an account balance you may be eligible to continue your coverage under the Health Care FSA by making after-tax contributions to the plan.

You may only change your election **DURING** the plan year if you experience a "life status event" as described in your Summary Plan Description - otherwise you may only change your election on the first day of each plan year.

## ● Expenses and Reimbursements

You will be reimbursed for incurred health care expenses up to the total amount of money you elect to contribute for the entire plan year. For example: if you elect to contribute \$1,200 for the year (\$100 per month) and incur an expense of \$1,200 in the first month of the plan year, you will be reimbursed \$1,200 when you submit your claim – even though you have only contributed \$100.

You will be reimbursed for health care expenses that are **INCURRED during the plan year and during a period when you are contributing to the Health Care FSA**. The date the expense is incurred is the date you (or your family member) received the health care service. The date you are billed for the service or the date you paid for the service is not the date an expense is incurred.

Expenses eligible for reimbursement from a Health Care FSA are generally medical expenses that can be deducted on a federal income tax return. These expenses can be for you, your spouse or your dependents. Dependents generally include any family member you can claim on your taxes.

## ● Examples of Expenses Eligible for Reimbursement from a Health Care FSA:

Allergy Medicines	Eye Exams and Eyeglasses	Medical Counseling
Blood Pressure Devices	Fertility Treatment	Medical Transportation
Chiropractor Services	Hearing Aids	Orthodontia
Contact Lenses	Hospital & Infertility Services	Physical Therapy
Contraceptives	Immunizations	Prescribed Weight Loss Programs
Co-Pays & Deductibles	Insulin	Prescription & Over-The-Counter Drugs
Dental Expenses	Laser Eye Surgery	Prescribed Fitness Programs
Diabetic Supplies	Orthopedic Massage Therapy	Psychiatric Care

## ● Examples of Expenses NOT Eligible for Reimbursement from a Health Care FSA:

Cosmetic Surgery & Dentistry	Health Club Dues	Massage Therapy (for general health)
Teeth Whitening	Hair Removal & Transplant	Vitamins & Supplements
Exercise Equipment & Programs	Insurance Premiums	Weight Loss Programs for general health

## ● Forfeitures

The Internal Revenue Service requires that you forfeit any money left in your Health Care FSA at the end of the plan year. Therefore, it is very important to determine prior to your participation in the plan how much money you want to contribute to the Health Care FSA.

## Dependent Care Flexible Spending Account (FSA)

### ● Contributions

You determine each year how much money you want to contribute to a Dependent Care FSA through salary reduction. Your taxable salary will be reduced by the amount of money you elect to contribute each pay period. The maximum amount you may contribute to a Dependent Care FSA is \$5,000 per year (\$2,500 if married and filing a separate tax return). You may only change your election **DURING** the plan year if you experience a "life status event" as described in your Summary Plan Description - otherwise you may only change your election on the first day of each plan year.

### ● Expenses and Reimbursements

You will be reimbursed for incurred dependent care expenses up to the total amount of money credited to your account. For example, if you elect to contribute \$1,200 for the year (\$100 per month) and incur an expense of \$500 in the first month of the plan year, you will be reimbursed \$100 when you submit your claim. The remaining excess expense will be carried over to the succeeding month(s) of the plan year.

You will be reimbursed for dependent care expenses incurred during the plan year. The date the expense is incurred is the date you (or your family member) received the dependent care service. The date you are billed for a dependent care service or the date you paid for a dependent care service are **not** the date an expense is incurred.

Dependent care expenses must be for the care of a dependent under the age of 13, or if over the age of 13, the dependent must be mentally or physically incapable of self-care. Dependent care expenses must allow you (and if married, your spouse) to work.

### ● Expenses Eligible for Reimbursement Include:

Au Pair Expenses

Babysitter Expenses

Before & After School Expenses

Day Care Center Expenses

PreSchool Tuition

Summer Day Camp Expenses

### ● Expenses NOT Eligible for Reimbursement Include:

Educational Expenses

Non-Work Related Expenses

Kindergarten Tuition

Overnight Camp Expenses

Expenses Paid to a Dependent Child

Daycare Meals / Supplies

### ● Choosing Between a Dependent Care FSA and the Dependent Care Tax Credit

You should determine which is better, the Dependent Care Tax Credit or the Dependent Care FSA, or a combination of both. When calculating the Dependent Care Tax Credit you may use up to \$3,000 of dependent care expenses if you have one dependent and up to \$6,000 of expenses if you have two or more dependents.

### ● Forfeitures

The Internal Revenue Service requires that you forfeit any money left in your Dependent Care FSA at the end of the plan year. Therefore, it is very important to determine prior to your participation in the plan how much money you want to contribute to the Dependent Care FSA.

## Flexible Spending Account Tax Savings Comparison

Your employer makes it possible for you to "Bank on a Tax Break" by allowing you to participate in a Flexible Spending Account Plan. This plan allows you to contribute to a Health Care and/or a Dependent Care Flexible Spending Account (FSA). Your FSA contributions are made each pay period before federal, state and FICA taxes are deducted. As you incur eligible expenses you will be able to receive tax-free reimbursement.

Let's look at how contributing to a Flexible Spending Account could affect your paycheck and save taxes.

An employee earns \$2,500 per month and incurs the following monthly expenses:

Family Medical Expenses (deductible, dental, vision, etc.):	\$100/month
Dependent Care Expenses (daycare, summer day camp, etc.):	\$400/month
Contributions to Flexible Spending Accounts:	<b>\$500/month</b>

	<u>Without FSA</u>	<u>With FSA</u>
Gross Monthly Salary:	\$2,500	\$2,500
Less Pre-Tax Medical Expense:	\$ 0	\$ 100
Less Pre-Tax Dependent Care Expense:	\$ 0	\$ 400
Adjusted Taxable Salary:	\$2,500	\$2,000
Less Federal Tax:	\$ 375	\$ 300
Less State Tax:	\$ 175	\$ 140
Less FICA Tax:	\$ 191	\$ 153
Less After-Tax Medical Expense:	\$ 100	\$ 0
Less After-Tax Dependent Care Expense:	\$ 400	\$ 0
<b>Monthly Spendable Income:</b>	<b>\$1,259</b>	<b>\$1,407</b>

By taking advantage of both Flexible Spending Accounts this employee is able to increase spendable income by \$148 per month for annual tax savings of \$1,776.

## Flexible Spending Account (FSA) Worksheet

Use the worksheet below to determine what you and your family expect in out-of-pocket expenses that will not be reimbursed or covered by any other health or dental insurance plan. Only estimate expenses you expect to incur during the plan year.

### Dependent Care Expenses (for Dependent Care FSA)

Babysitting / Day Care / Elder Care Expenses: \_\_\_\_\_

After-School Fees: \_\_\_\_\_

Nursery School Fees: \_\_\_\_\_

Summer Day Camp: \_\_\_\_\_

**Total Dependent Care Expenses** \_\_\_\_\_

### Health Care Expenses (for Health Care FSA)

Medical Deductibles, Co-insurance, Co-payments: \_\_\_\_\_

Dental Expenses: \_\_\_\_\_

Eyeglasses, Contact Lenses, Vision Exams: \_\_\_\_\_

Prescription Drugs: \_\_\_\_\_

Over the Counter Drugs: \_\_\_\_\_

**Total Health Care Expenses** \_\_\_\_\_

### MYFLEXONLINE

Once you have enrolled in the FSA you will be able to access your account online at [myflexonline.com](http://myflexonline.com).

You will be able to view account activity, look up qualified expenses and submit for reimbursement on our website.

Visit us today.

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