Flexible Spending Accounts

A Flexible Spending Account, or FSA, (Health Care Reimbursement) Plan is a tax-saving alternative offered though your employer under Section 125 of the Internal Revenue Code. The FSA is designed to reimburse you for eligible out-of-pocket medical costs. Specifically, the FSA reimburses for out-of-pocket expenses not covered under you medical, dental, and/or vision plans.

Pre-tax - Section 125

The IRS allows you to have certain insurance premiums deducted from your pay before taxes are calculated and deducted. This allows tax savings on the insurance premiums you have deducted from each paycheck. In addition, employees can participate in health care reimbursement and dependent care reimbursement. **You are required to elect to participate in these plans each year.**

Once you have made your election for the plan year, you will not be allowed to make any changes unless you have a qualifying event, or QE. The definition of a QE is provided in Changing your Coverage During a Plan Year section.

About Flexible Spending Accounts (Health Care Reimbursement)	
General	An employer-sponsored program funded by employee pre-tax contributions as part of a cafeteria plan that reimburses the employee for qualified medical expenses. The plan allows carryover of up to $500 to next plan year; any other funds are forfeited. Employees have 60 days (March 1) after the end of the plan year to file for expenses which were incurred the previous plan year.
Eligible Family Members	Only employees can receive reimbursements. However, employees can be reimbursed for dependent* expenses, including adult children who have not reached age 27 by the end of the tax year. Employees or dependents are not required to be covered on eligible plans to make claims under this plan. ***Must be claimed as dependents on income tax filing.**
Contribution Limits	2018 annual limit of $2,650 per IRS
Distribution of Funds	Use debit card or file paper claim forms
Order of Payment	1. Insurance plan(s) 2. FSA if applicable
Plan Changes	Only allows mid-year election changes due to qualified events and other plan provisions
Expense Substantiation	Required

FSA info continued on next page

Flexible Spending Accounts, continued

How long do I have to submit claims to the FSA?

Reimbursement is not allowed for claims that were incurred prior to the plan's effective date, or after the termination date of participation in the FSA plan. You have until March 1 to submit for reimbursement expenses which were incurred while you were an eligible participant of the plan.

What if my situation changes during the year?

The election you make at the beginning of each plan year is binding until the next enrollment period. It is always better to underestimate than to overestimate with an FSA plan. For those who resign or are terminated during the plan year: any amounts payroll deducted for your FSA are non-refundable. Our plan allows up to $500 of unused funds at the end of the plan year to carry over to the next year; any amount over $500 will be forfeited. Once you authorize a payroll deduction to your FSA, you may not cancel or change that election until the next enrollment period unless you experience a family status change (qualifying event) as defined in this booklet. When one of these changes occurs, employees must request a reallocation of their spending account within 30 days of the change in status.

Account Type	With FSA	Without FSA
Your taxable income	$50,000	$50,000
Pre-tax contribution to healthcare	$2,000	$0
Federal and Social Security taxes	$11,701	$12,355
After tax dollars spent on eligible expenses	$0	$2,000
Spendable income after expenses and taxes	$36,299	$35,645
Tax savings with Medical and/or Dependent Care FSA	$654	N/A

Dependent Care Account (DCA)

The Dependent Care Flexible Spending Account, or DCA, pays expenses such as day care services and after school care for children under age 13. An eligible dependent may include stepchildren, adopted children, foster children or grandchildren (legal custody or guardianship). Eligible dependents are additionally defined as those who are physically or mentally unable to care for themselves, such as a disabled spouse, child or elderly parents who live with you. Eligible dependents must be claimed as an exception on your tax return. Expenses must be incurred to allow you or your spouse to work, look for work, or attend school full-time; and can only be reimbursed up to the amount currently available in your account. Any money that you elect to set aside in a flexible spending account for a given Benefit Period may be used only for eligible expenses you incur for services received during that Benefit Period. So it's very important that you plan carefully when deciding on how much to allot in your DCA.

Account Type	Eligible Expenses	Annual Contribution Limits	Benefit
Dependent Care FSA	Dependent care expense (such as day care, after school programs or elder care programs) so you and your spouse can work or attend school full-time.	You may elect to contribute up to $5,000 ($2,500 if married and filing separate tax returns) during the plan year into your DCA.	Reduces your taxable income

How long do I have to submit claims to the DCA?

You have until March 1 to submit claims against your plan year account.

What is the difference between the Federal Child and Dependent Care Tax credit tax credit or using a DCA?

The amount of benefits received through the Dependent Care Account must be subtracted from the child and dependent care expenses used to calculate the child and dependent care tax credit. The choice between taking the federal child and dependent care tax credit or using a Dependent Care Account depends, largely, on your income level and your amount of work-related dependent care.