



## FSAS - FLEXIBLE SPENDING ACCOUNTS

### **1. What is a Flexible Spending Account (FSA)?**

An FSA is an IRS-approved, tax-exempt benefit offered by some employers, which allows employees to use before-tax dollars to pay for miscellaneous expenses not typically covered under an employer's current health plan, such as dependent care, certain medical and dental services. Generally, employees will specify the amount they would like deducted on a before-tax basis for each type of account. These amounts will be automatically deducted each month on a before-tax basis and deposited into their Flexible Spending Account. Employees can then submit their expenses for reimbursement from their account.

### **2. What Are The Employer Benefits?**

When employees purchase benefits on a pre-tax basis, their compensation decreases when calculating employer payroll taxes and, in some instances, insurance premiums. Employers can realize direct bottom-line savings in the form of reduced employer F.I.C.A. (social security) taxes, F.U.T.A. (federal unemployment) taxes, disability and worker's compensation insurance premiums (varies state by state). The total savings at the employer level can potentially represent as much as 10%, and will most likely pay for administration costs associated with these plans.

### **3. What Are The Employee Benefits?**

Employees have a high appreciation for these plans because of the flexibility they offer, resulting in a large return in employee satisfaction. Potential savings may range from 20% to 35% on each pre-tax dollar, depending on their present tax bracket, and, in most states, employees can save their State Income Tax as well. Each employee is given the choice of which pre-tax benefits will best meet his or her individual and financial needs. This choice affords employees the ability to customize their personal benefit program based on their individual needs and that of their family.

### **4. What Are Some Of The Eligible Expenses?**

- Acupuncture
- Ambulance service
- Birth control pills
- Chiropractic care
- Contact lenses (corrective)
- Dental fees (non-cosmetic)
- Diagnostic tests-health screening
- Doctors' fees
- Drug addiction/alcoholism treatment
- Most prescription drugs
- Experimental medical treatment
- Eyeglasses
- Guide dogs
- Hearing aids & exams
- Injections and Vaccinations
- Optometrist fees
- Orthodontic treatment
- Most Over-the-Counter (OTC) medicine and drugs
- Prescription drugs to alleviate nicotine withdrawal symptoms
- Reconstructive surgery after mastectomy
- Smoking cessation programs/treatments
- Surgery Transportation for local medical care
- Wheelchairs
- X-rays

### **5. Does Dependent Care Fall Under An FSA?**

Yes. Employees can use this account to pay for eligible dependent care expenses with pre-tax dollars up to \$5,000 per family per year. This option is a replacement for the federal childcare tax credit. Each plan year employees elect the amount they will use pre-tax for dependent care expenses to be deducted in equal increments from their paycheck. The monies are held in a separate account for each employee until the employee submits an eligible dependent care expense claim. Unlike the healthcare account, only the amount that has been deducted to date can be reimbursed to participants. This eliminates any risk on the employer's part since the account can never have a negative balance.

#### **Expenses include:**

- Before and after-school programs
- Nursery or pre-school tuition
- Summer day camp
- Care in a home by a licensed provider

#### **Who is an Eligible Dependent?**

- A child under the age of 13
- A spouse, parent or child(ren) of any age who are physically or mentally unable to care for themselves AND who qualify as a dependent on your federal tax return