

EVERYTHING
YOU EVER WANTED
TO KNOW ABOUT

FSAs



What is a healthcare FSA?

A **Flexible Spending Account** (FSA) is an employer-sponsored healthcare benefit that allows employees to set aside pre-tax dollars—up to \$3,050 in 2023—to cover the cost of qualified medical expenses.

FSAs work on an annual plan year basis, so you decide each year if you want an FSA—and how much money you'd like to put into it. If you get an FSA, you'd contribute to it at each pay period and you can use that pre-tax money anytime, all year long, to pay for qualified health expenses.

Who is eligible for an FSA?

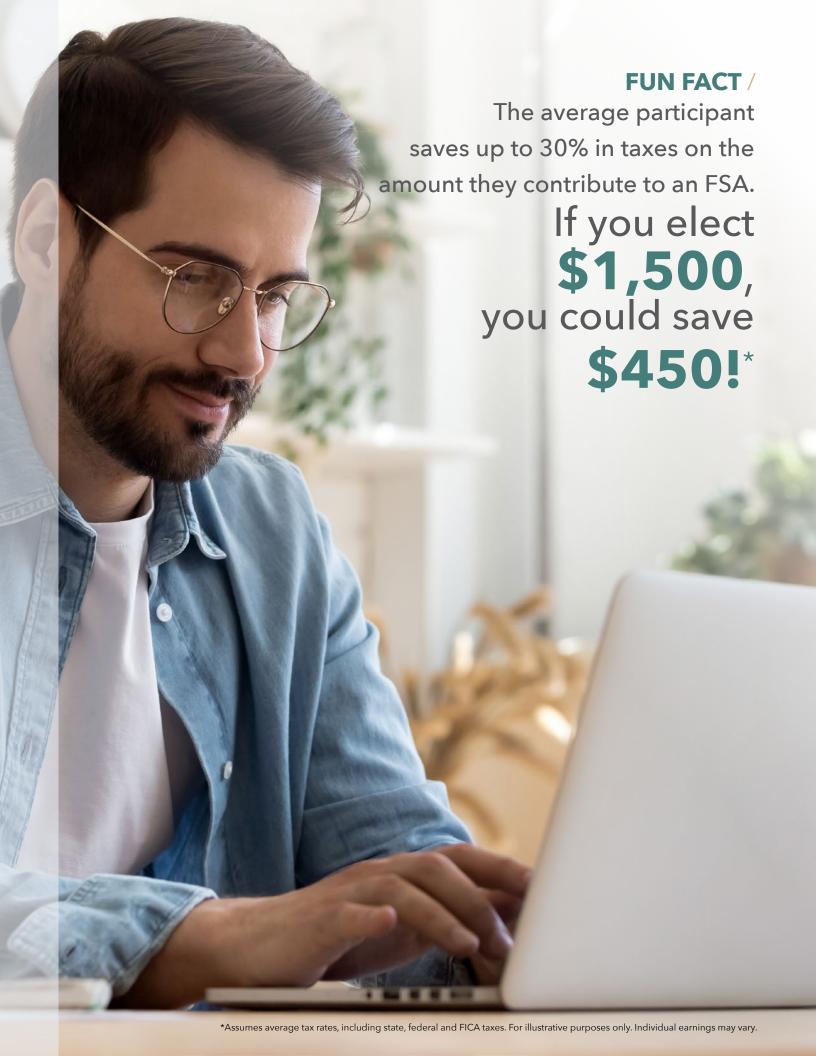
Most full-time employees are eligible to participate in an FSA, as long as their employer offers health insurance.

Employees do not need to enroll in a health insurance plan to enroll in an FSA. Business owners are generally not eligible to participate in an FSA, with limited exceptions.

DID YOU KNOW?

You and your spouse can each have your own FSA through your respective employers – and you can each contribute the maximum amount to each account.





What can be purchased with an FSA?

FSA funding and spending rules are set by the IRS, which requires funds to be used for approved healthcare expenditures only. But there are literally thousands of products and services that meet the requirements.

Typically FSA eligible products and services include:

Copayments or coinsurance, dental care costs, vision care costs, prescription medications and over-the-counter treatments.



Sunscreen



Prescriptio eyewear



Tech wearables & devices



Allergy & pain relief



Menstrual care

An employer may limit the expenses a plan reimburses, but they can't offer more than what's allowed by law.



DID YOU KNOW?

The money you contribute isn't subject to income tax, so you're effectively increasing your take-home pay.



What is not eligible for purchase with an FSA?

Products and services that are typically not eligible or reimbursable with an FSA include:

Cosmetic products/procedures

- Skin or teeth bleaching or whitening
- Cosmetic surgery
- Hair transplants & electrolysis

Personal-use products with no medical purpose

- Shampoo
- Toothpaste
- Makeup & other toiletries

General health products (not primarily for medical care unless recommended by a medical professional)

- Vitamins & supplements
- Gym memberships
- Humidifier





Are there annual contribution limits for an FSA?

Yes! Each year the IRS sets a maximum annual contribution limit for FSAs. For 2023, the maximum contribution is \$3,050.

An employer may limit contributions to less than the cap, but cannot allow contributions above the IRS mandated cap.

The contribution maximums are per FSA, which is per employee, per employer. So if you have more than one employer, you can have an FSA with each one (as long as you're eligible). The contribution max would be \$3,050 for each FSA, not \$3,050 total.

Can I use my FSA for my spouse and children?

Yes! FSA funds can be used for qualified medical expenses for an account holder's spouse and eligible dependents, including children up to age 26.

Can you have an FSA and HSA (health savings account) at the same time?

Generally, no. An FSA is considered additional health coverage by the IRS and would disqualify you from opening or contributing to an HSA.

However, there are certain exceptions.

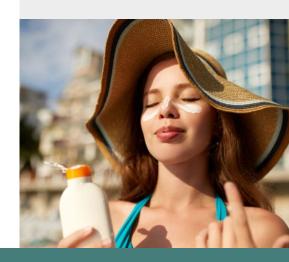
A Limited Purpose FSA (LPFSA) that only covers vision and dental expenses can be paired with an HSA. LPFSAs are sometimes referred to as "HSA-compatible FSAs."

A Dependent Care FSA (DCFSA) that covers dependent care expenses that allow an individual to work or look for work is also compatible with an HSA because it is not medical coverage.

A Post-Deductible FSA that covers qualified vision and dental expenses after you meet your deductible on your regular health plan.

DID YOU KNOW?

It's not just eyeglasses and doctor visits – use your FSA to save on sunscreen, hot & cold packs, acupressure, and more.



Can you have an FSA and an HRA (health reimbursement arrangement) at the same time?

Yes, an HRA can be used along with a health FSA to cover any additional qualifying medical expenses.

The only HRA employers can't offer with an FSA is known as a qualified small employer HRA, also known as a QSEHRA.



DID YOU KNOW?

FSAs are great for moms and babies: Shop fertility trackers, baby monitors, breast pumps, children's allergy & pain relief, and more.



What is a Limited Purpose FSA (LPFSA)?

This is a special type of FSA used to pay for eligible dental and vision expenses.

Unlike a general health FSA, LPFSAs can be paired with HSAs.

What is a Dependent Care FSA (DCFSA or DCAP)?

A Dependent Care FSA (DCFSA, also known as a Dependent Care Assistance Program or DCAP) is a specialized FSA used to pay for eligible dependent care services, such as preschool, summer day camp, before- or after-school programs, and child or adult daycare so an account holder can work or look for work.



Do FSA funds expire?

Yes. FSA funds are generally use-it-or-lose-it and expire at the end of the plan year.

However, employers can offer either:

- A fund rollover, allowing participants to rollover up to \$610 (in 2023) into the following plan year.
- 2) A **grace period**, allowing participants up to 2.5 months to use any funds that would have otherwise expired at the end of the plan year.

Both of these are optional for the employer, and they cannot offer a rollover and grace period at the same time.

What is a grace period?

Employers can opt to offer employees a grace period that extends the length of time a participant can use their FSA funds beyond the end of the plan year by up to 2.5 months.

For example, if the plan year is January 1, 2023 through December 31, 2023, a participant would have until March 15, 2024 to use the remaining funds in their 2023 FSA.

DID YOU KNOW?

People spend an average of \$1,600 a year out-of-pocket on FSA eligible expenses.





What is an FSA rollover?

An FSA rollover (or carryover) is an FSA feature that lets account holders roll over a certain amount of funds from one plan year to the next without forfeiting them back to their employer.

Like contribution limits, the IRS sets the limit for rollovers each year. For 2023, the maximum rollover is \$610.



DID YOU KNOW?

FSA programs can lower employers' FICA taxes on employee payroll.



Do rollovers count toward the next year's contribution limit?

Any FSA funds carried over from one plan year to the next **do not** count toward the following year's contribution limit.

For example, if an FSA participant carried over the maximum allowable amount at the end of 2022 (which was \$570), they could have still made the maximum contribution of \$3,050 for 2023, possibly ending up with an FSA balance of \$3,620 without penalty.



What is an FSA runout period?

An FSA runout period is a timeframe in the new plan year during which you can file claims for expenses incurred in the previous plan year.

This timeframe is established by your employer—not the IRS. While timeframes vary from employer to employer, a 90-day run-out period is common. If your plan year ends on December 31, and you have a 90-day run-out period, you have until March 31 of the following plan year to submit receipts for money spent before the December 31 deadline.

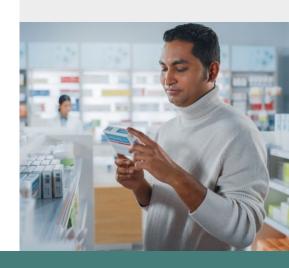
Can you have more than one FSA?

Yes, you can have more than one FSA at the same time. FSAs are per employee, per employer.

For example, if you are employed by two different employers and meet FSA eligibility for each, you can enroll in an FSA for each employer and contribute the maximum annual amount for each. In addition, your spouse can also have multiple FSAs.

DID YOU KNOW?

An FSA covers many overthe-counter & prescription meds, so you can save at the pharmacy with your tax-free account.



How can I avoid forfeiting unspent money in my FSA at the end of the year?

3 simple strategies to avoid forfeiting funds:

- Use an FSA calculator like the one at FSAStore.com to determine the exact amount you need to elect for the year
- 2. Spend throughout the year on everyday essentials (think pain & allergy relief, sunscreen, skincare and more)
- **3.** Check to see if your plan includes a rollover or grace period that gives you more time to spend your funds



DID YOU KNOW?

FSA Store has a comprehensive list of everything that's eligible for tax-free spending with your FSA.



Can you use FSA funds overseas?

Yes, FSA funds can be used for medical expenses outside of the United States. However, certain restrictions typically apply:

- Must be a valid qualifying medical expense in the U.S., and must be legal in both countries
- Cannot order prescription drugs from another country and bring them into the U.S.
- Can be used to pay for medication or services that you use while outside the U.S. (for example, if you're sick or injured while traveling and go to a doctor)



What happens if I change jobs before making my full contribution via salary reduction?

You may be given a run-out period to submit claims for FSA expenses incurred before you left your job. Or, you may qualify to keep using your FSA under COBRA. Check with your HR representative to learn about your options.