Flexible Spending Account (FSA)
Frequently Asked Questions

With medical costs and child care expenses going up every year, how can I save money? Contributing pre-tax money to an FSA is a great way to help pay for these ever rising costs. FSAs are provided by employers to help employees pay for qualified medical and dependent care expenses not covered by an employer’s insurance plan. Dollars contributed to an FSA are deducted from your pay before you pay Federal, State or Social Security taxes. By contributing to an FSA you could be saving up to 40% on every dollar you spend on out-of-pocket medical expenses and dependent care expenses.

Why should I participate?
Even if you and your family are covered by your employer’s health plan, you may have some additional expenses. For example, you may pay deductibles, co-payments or other medical expenses that are not covered by insurance. Or, you may pay day care provider fees or private pre-school expenses. By participating in an FSA you can use pre-tax dollars to help pay for qualified out-of-pocket medical and dependent care expenses.

Who is eligible for an FSA?
Your employer has a Summary Plan Description (SPD) that contains all of the information regarding the plan, including eligibility. If you have not already received a copy of the SPD, you can request one from your employer.

How does an FSA work?
At the beginning of your employment or the beginning of a new plan year (also referred to as open enrollment) you may select the dollar amount you would like to have withheld from each paycheck to pay qualified medical and dependent care expenses. Each pay period, the designated amount will be withheld from your paycheck and credited to a specified account. Your entire annual election is available to you immediately for qualified medical expenses.

What medical expenses are eligible for reimbursement?
Most health related expenses that could be deducted on your income tax return are eligible. (See IRS Publication 502 for more information on deductible medical expenses). Medical insurance premiums paid outside of your employer's plan or elective procedures (such as cosmetic surgery, teeth bleaching, etc) are not eligible for reimbursement. Effective January 1, 2011 most over the counter medicines and drugs are only reimbursable with a prescription from your health care provider.

Now that I’m enrolled in the FSA, can I change my election?
Changes to your FSA may be made only during the open enrollment period unless you experience a change in your family status. A change in family status may include marriage, divorce, death of a spouse or dependent, birth, adoption or change in your spouse’s employment. You will need to submit notification of the family status change to your employer within 30 days of the event to be able to make a new election.
What happens if I don’t use all the money I have contributed?
Because you do not pay income taxes on the money you contribute to your FSA, the Internal Revenue Service (IRS) has established strict rules regarding how the money can be used. The amount of money you place into your FSA must be used by the end of the plan year or you will lose it. It is important that you plan carefully and only contribute the amount you are sure you will use to pay for medical and dependent care expenses during the plan year to avoid forfeiture of the monies.

If I use the FSA to pay for my medical expenses, can I also deduct them from my tax return?
Only those expenses that have not been reimbursed through your FSA may be itemized on your tax return.

What do I need to know about dependent care reimbursements?
The IRS maximum annual contribution limits are as follows:

- $5,000 for single, married filing jointly, or head of household
- $2,500 for married filing separate returns

To be eligible to deduct dependent care expenses, you (and your spouse if married) need to be working, going to school or disabled. The reimbursed amount cannot exceed your (including your spouse if you are married) earned income. Daycare services can be provided in your home or another location, but not by your minor child or other tax dependent. The service must be for the physical care of the dependent, not for education, meals, etc. The dependent care can also be used for the care of a child, spouse or other dependent who is not capable of self care (such as a disabled spouse or an elderly parent you claim as a dependent). You must also provide the tax identification number (TIN) of the care provider before a reimbursement can be made. Dependent care claims can be submitted on-line through Goldleaf Partners website.