

Flexible Spending Accounts (FSA)

Policy Owner Human Resources

Responsible Office(s) Human Resources

Policy

Flexible Spending Accounts allow you to pay for goods and services you already use (including OTC products) with money deducted from your paycheck before it is taxed. This can reduce your eligible health care and dependent care expenses by as much as 30%. These plans are administered by Flores.

Substantial tax savings are available to eligible employees through Section 125 of the Internal Revenue Code. These “125” or “cafeteria” plans allow employees to pay premiums for most employer-approved group benefits on a pre-tax basis. Furthermore, through flexible spending accounts, employees may set aside dollars on a pre-tax basis to fund expenses such as unreimbursable medical expenses and child care expenses. These dollars must not exceed the predetermined plan limits.

- **Premiums:** Most employer-sponsored group benefits would qualify for this pre-tax treatment. Examples would be your portion of medical, dental, or group term life insurance premiums.
- **Unreimbursable Medical Expenses:** Medical expenses that are not reimbursed or covered under your group benefits plan would generally qualify for the provision. Examples are deductibles, coinsurance amounts, vision care, dental and orthodontic expenses.

This benefit requires some planning on the part of the employee because you can only qualify for the amount you choose to set aside at the beginning of the year. Further, you may rollover up to \$570 from one year to the next if you do not use the expenses. This enables you to avoid the “use it or lose it” rule for unspent balances up to \$570. Rollover funds will be available after April 1st once all claims from the prior year are posted.

Dependent Care: An employee could choose to have pre-determined dependent care expenses withheld from his/her pay on a pre-tax basis. These expenses must be documented and filed for reimbursement as well.

Under Section 125 of the Internal Revenue Code, these elections (any or all) will be made at the beginning of a year. Changes are allowed only if the employee experiences a “change in status,” which are changes in:

- Legal Marital Status
- Number of Dependents
- Employment Status
- Work Schedule
- Residence or Work Site
- Dependent Status

Employees who have questions regarding this program or who choose to participate in this program or make changes in their election should contact the Human Resources Department. If there is any conflict between this document and the Plan Document, the Plan Document’s terms shall control.

Version History

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