

FSA Frequently Asked Questions

What is an FSA?

A Flexible Spending Account is an account funded by employee salary deferral elections and, in some cases, employer contributions, for the purpose of reimbursing expenses on a pre-tax basis. Most plans offer two types of accounts: Medical (also called Health Care) for reimbursement of eligible medical, dental, vision, prescription and over-the-counter drug expenses; and Dependent Care for reimbursement of day care expenses.

Your employer will set a maximum contribution amount at the beginning of each plan year. Participants may elect to contribute an amount each plan year up to that maximum.

What medical expenses may be reimbursed through a Medical FSA?

In most cases, a participant may be reimbursed for a medical care expense which is defined as a deductible expense for federal income tax purposes, but which has not been or will not be reimbursed by any other source, and which will not be deducted on the employee's income tax return. Some examples of eligible expenses include co-payments and deductible payments required by health insurance; also vision, hearing, dental, and most prescription drug expenses not covered by health insurance and over-the-counter drugs.

Which types of medical expenses are generally not eligible for reimbursement under a Medical FSA?

Premiums for health insurance and Medicare, and any expenses reimbursable by insurance, Workers' Compensation, or any other means. Expenses for cosmetic procedures and products are also generally not reimbursable. Also, toiletries and dietary supplements for general good health are not reimbursable.

What is the maximum amount which can be contributed to a Dependent Care FSA?

Participants are eligible to contribute up to a maximum of \$5,000 (\$2,500 for married individuals filing separately) for any one tax year. The contributions, however, cannot exceed the earned income of the lower-paid spouse. Also, participants may need to choose between a dependent care reimbursement account or the dependent care tax credit because the tax credit maximum is reduced dollar for dollar for each dollar placed into a reimbursement account. Please be aware that the plan year may not coincide with the tax year.

What expenses may be reimbursed through a Dependent Care FSA?

Expenses must be employment-related expenses incurred for the care of a dependent of the employee.

When can I submit my claims for Dependent Care expenses?

Under IRS guidelines, a dependent care expense can only be reimbursed AFTER it has been incurred. Only claims received for services provided in the current month or prior months in a plan year will be eligible for reimbursement.

For the purposes of a Dependent Care FSA, who is a dependent?

Expenses must be employment-related expenses incurred for the care of a dependent of the employee who is under age 13 and for whom the taxpayer is entitled to a dependent deduction under Internal Revenue Code Section 151(e), or for a dependent of the employee who is physically or mentally incapable of caring for himself or herself.

What information should be provided on the supporting documentation submitted with the reimbursement request?

Attach original receipts or statements that clearly show: Name of person receiving service, Nature of service or supplies, Name and address of care provider, Amount charged, Date the service was provided. For some expenses, a doctor's note may be required to verify that the expense qualifies as medical care. Please note: For dependent care expenses, the IRS requires that participants provide the tax identification number and (or Social Security Number) of the day care provider(s). In addition, this information must also be provided on the Child Care Expenses Tax Schedule.

Are canceled checks an acceptable form of documentation?

No. According to IRS guidelines, canceled checks are not acceptable documentation.

Is there a way to get a list of all expenses that can be covered in a flexible spending account?

A list of ALL the expenses is not available. However, the IRS offers two publications that are very helpful.

Publication 502 outlines qualified Medical and Dental expenses allowed under Code Section 213. A Health Care FSA also permits qualified expenses as defined in Section 213, with limited exceptions. Publication 502 indicates that certain expenses for insurance premiums are covered by Code Section 213, but they are not allowed in a Health Care FSA.