

FSA OVERVIEW

You can pay less in taxes and increase your take-home pay by signing up for a healthcare **Flexible Spending Arrangement (FSA)**, sometimes referred to as a Flexible Spending Account, and/or a **Dependent Care Assistance Program (DCAP)**.

A **FSA** allows you to set aside money for out-of-pocket healthcare expenses on a pre-tax basis.

A **DCAP** allows you to set aside pre-tax dollars for dependent care expenses. These funds can be used for child-care expenses as well as expenses related to the care of any type of dependent.

FSA and DCAP are “Use It or Lose It” (unless your employer has adopted the \$500 rollover option). Money must be spent within the coverage period. The coverage period generally ceases upon termination of employment or end of the plan year. If you terminate employment, you may still access the funds available in your account for claims accrued prior to your termination date. Contact your administrator or access your online account for regulations on your group’s grace period to submit claims.

TAX SAVINGS EXAMPLE

Here’s a typical example of tax savings:

	Before FSA	After FSA (\$150/month)
Annual Income	\$36,000.00	\$36,000.00
FSA contributions	\$0.00	\$1,800.00
New Taxable Income	\$36,000.00	\$34,200.00
Federal and Social Security Taxes (assuming a 32.67% rate)	\$11,760.00	\$11,172.00
Take-home pay	\$24,240.00	\$24,828.00
Annual Tax Savings	\$0.00	\$588.00

By contributing money to an FSA, it is reducing your annual gross income. This will also reduce your Federal and Social Security tax savings because your taxes will be based on your annual gross income. Please take a moment to see what sort of annual tax savings you could receive by enrolling in an FSA today. Remember that a FSA for Medical Expenses and a DCAP will both deduct from your total gross income, but are still two separate accounts and money cannot be commingled.

LISTS OF TYPICAL QUALIFIED MEDICAL EXPENSES

This is only a partial list; these are the most typical expenses employees will pay every year with out-of-pocket dollars. An FSA will ensure you have money to pay for all these expenses and it is a pre-funded benefit. This means once you make an election, you are eligible for that full amount immediately upon the first day of the plan year. So if you need the money now, you've got it!

Qualified Expenses (partial list)

Acupuncture	Diagnostic items and services	Lodging (at hospital or similar institute)	Preventive care screening
Adoption	Drug addiction treatment	Neurologist	Sterilization procedures
Alcoholism treatment	Egg donor fees	Obstetrical expenses	Stop-smoking aids
Ambulance	Elastic hosiery (prescription)	Occlusal guards to prevent teeth grinding	Surgeon
Artificial limbs	Eyeglasses, equipment and materials	Optometrist	Telephone or TV equipment to assist the hard-of hearing
Artificial teeth	Fertility treatment	Oral surgery	Therapy (for medical care)
Birth control pills	Fluoridation devices	Organ transplant (including donor's expenses)	Transportation expenses (relative to health care)
Breast pump and supplies	Flu shots	Orthodontia*	Vaccines
Blood pressure monitoring device	Guide dog	Orthopedist	Vasectomy
Blood sugar test kits and test strips	Hearing aids and batteries	Osteopath fees	Wheelchair
Chiropractor	Hospital services	Oxygen and oxygen equipment	X-rays
Contact lenses	Immunization	Pediatrician	
Contraceptive devices	Insulin	Physiotherapist	
Crutches	Lab fees	Podiatrist	
Dental treatment	Laser eye surgery	Prenatal care	
Dentures	Learning disability instructional fees (prescribed)	Prescription medicines	
Dermatologist			
Diabetic supplies			

Disclaimer: Subject to change. Some items above may require additional documentation under IRS regulations. Please refer to the IRS website for complete list. Receipts required for substantiation of expenses.

*Orthodontia is a limited reimbursement. Please contact your administrator for details.

Potentially Qualifying Expenses (partial list)

Acne treatment (when prescribed and recommended by a medical provider)	Nursing services
Air conditioner (when necessary for relief from an allergy or for relief from difficulty in breathing and prescribed by a medical provider)	Orthopedic shoes and inserts
Alternative healers, dietary substitutes and drugs and medicines	Over-the-counter drugs
Automobile modifications	Psychiatric care
Behavioral modification programs	Psychoanalysis
Chelation therapy (lead poisoning)	Psychologist
Christian Science Practitioner	Special school costs for the handicapped
Hormone replacement therapy	Specialty food or beverages
Language training	Tuition and travel expenses for a child with special needs at a particular school
Lead based paint removal	Varicose veins
Massage therapy	Vitamins
	Weight loss programs
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