

FLEXIBLE SPENDING ACCOUNT OVERVIEW

There are two separate Flexible Spending Accounts (FSA) available, one for health care expenses and another for child care expenses. Enrollment is voluntary and you may choose to enroll in one or both accounts. Individuals who elect to enroll in the flexible spending account must do so during open enrollment which is in November/December of each year. The FSA allows you to contribute money from your salary before taxes are withheld to a special account from which you can be reimbursed for eligible out-of-pocket health care expenses or child care expenses. Basically if you choose to enroll, you would need to designate the dollar amount of eligible health care or child care expenses that you will incur in the next calendar year. The amount you elect will be divided equally and deducted pre-tax from your payroll check. Then as you incur eligible expenses throughout the year, you can file for reimbursement by submitting a claim form along with the appropriate claim documentation. Ultimately, the FSA allows you to pay for health care or child care expenses with tax free money. The election amount designated cannot be changed or stopped at any time during the year unless there is proof of a qualifying family status change. Funds not used by the end of the plan year may be lost so it is important that the individual carefully consider the election amount.

New for 2015: You can carryover up to \$500 to 2016. This makes it easier to estimate medical costs with less risk of forfeiture.

Below are some frequently asked questions pertaining to flexible spending accounts:

How much can be elected for the flexible spending account? The health care account has an annual maximum of \$2,500 and the child care account has an annual maximum of \$5,000. The weekly deduction will be divided equally throughout the calendar year.

What is the plan year? The plan year for both health and child care expenses is from January 1 through December 31. These are the time frames in which the respective expenses must be incurred. The 2 ½ month grace provision has been eliminated per IRS rules.

Can funds be transferred or interchanged between the health care and child care flexible spending accounts? No, these are two entirely separate accounts with separate enrollment forms.

Can the initial election amount be changed or cancelled? The election amount cannot be increased, decreased, or cancelled unless a qualifying family status change has occurred in the last 30 days. Such events would include marriage, divorce, and birth or death of a child. The corresponding change in the annual election amount would have to be consistent with the family status change. The individual should contact the FSA Administrator for the necessary forms to complete.

What happens if the money is not used by the end of the plan year? Under IRS tax rules, any money for which an eligible expense was not incurred during the plan year is lost or forfeited. This is known as the "use or lose" rule. Also, keep in mind that reimbursement for expenses is based on when the expense is incurred not when it is paid. You can carryover up to \$500 for 2016.

What if employment is terminated for any reason before the end of the plan year? Eligible expenses incurred up to the date of termination will be reimbursed from the money that was deducted that plan year. However, expenses incurred after the date of termination are not allowed.

Does a person need to enroll again each year? Yes, enrollment is valid only for the current plan year and a new form must be submitted each year during open enrollment.

Additional questions should be directed to the FSA Administrator at (800) 201-0450, ext 3420.