



**Save Big
with an FSA**



Learn More ▶

Flex Q&A

With a Flexible Spending Account or “FSA”, you can save up to 30% on things like doctor’s visits, prescription drugs, glasses, contacts, orthodontics, and daycare. If you expect to pay for some of these items in the next plan year, consider signing up for the FSA program. Here’s a quick Q&A on how it works:

Who is covered under the FSA program?

Generally, you, your spouse, and your children are covered under an FSA. If your situation is a bit unique, call or e-mail BAC, the Program’s administrator, to verify.

How does an FSA work?

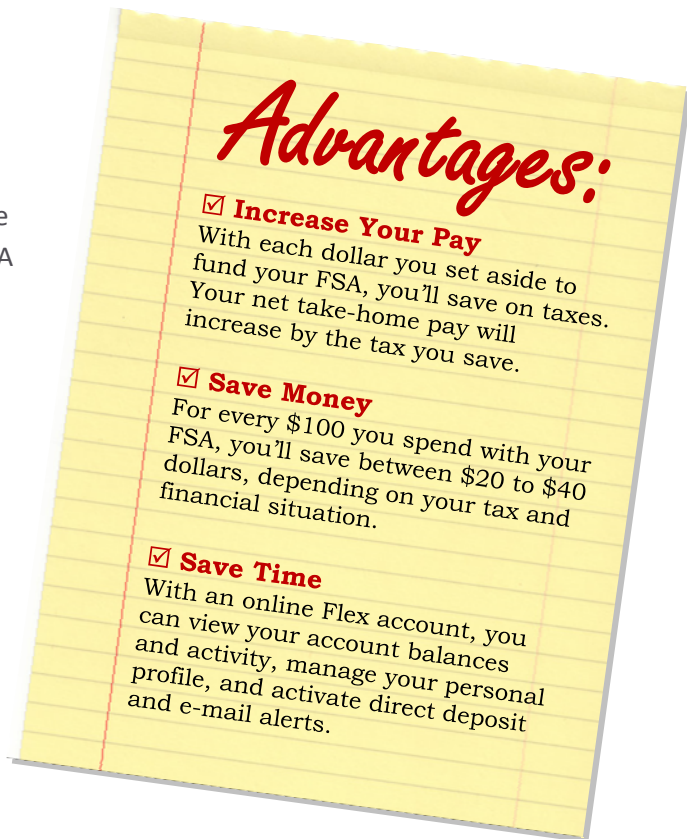
Participating in an FSA is easy. Just budget your health care and dependent care expenses for the next year, sign up during Open Enrollment, fund your FSA, and use your account to pay for eligible expenses incurred by you and your family during the year.

How is my FSA funded?

Once you budget your health care and dependent care expenses and sign up for an FSA, you will set aside money, tax free, to fund your FSA through automatic payroll deductions. You can fund up to \$3,050 for health care related expenses and \$5,000 for dependent care expenses (\$2,500 if you are married filing separate returns). See the Program’s summary plan description for more details.

If I fund my own FSA, won’t I receive less pay?

No. For every dollar you set aside, you will save on social security taxes and federal income tax. Your net take-home pay will increase by the taxes you save. See the example below.



What can I pay for with my FSA?

You can use your FSA to save on hundreds of eligible health care and dependent care expenses. The IRS determines what expenses qualify but generally, products and services that treat a specific medical condition are considered eligible, as well as services that relate to the care of one or more children under the age of 13 or an elderly adult or dependent. A budgeting worksheet with common expenses is located on the back of this Guide. A more detailed list is also available from BAC at www.baclink.com.

Take-Home Pay With FSA*

Gross paycheck	\$45,000
Insurance premium	- \$1,200
Health care & dependent care expenses	- \$1,800
Taxable Income	\$42,000
Federal and FICA taxes*	-\$10,500
Net pay with FSA	\$31,500

Take-Home Pay Without FSA*

Gross paycheck	\$45,000
Insurance premium	- \$1,200
Taxable income	\$43,800
Federal and FICA taxes*	-\$10,950
Health care & dependent care expenses	-\$1,800
Net pay without FSA	\$31,050

Saved \$450 with FSA

*Assumes 25% tax rate. Individual results will vary.

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*The example above is for illustrative purposes only and does not constitute tax advice. See your summary plan description for more information.

How do I pay for things with my FSA account?

Your new debit card is the most convenient way to pay for eligible health care related expenses. The purchase is deducted straight from your available FSA account balance—there’s no need to pay up front or file a claim form to get paid back. You will still need to provide receipts.

Will I ever be required to file a manual claim form?

Yes. If a provider doesn’t accept your FSA debit card or you are paying for dependent care, you’ll need to file a manual claim by completing a simple form and attaching a copy of your receipts to get reimbursed. If you file online, a claim form is not required, just a copy of the itemized receipt from your health care or dependent care provider. Manual reimbursements are processed every Monday.

Is there anything else I should know about FSAs?

There are a few things to carefully consider before signing up for an FSA:

1. **Can’t change your mind.** After you sign up and decide how much to set aside each paycheck, you generally can’t change the amount unless you have a change in family or employment status.
2. **Use-it or lose-it.** The carryover provision was adopted which will allow up to \$570 of unused health FSA funds to carryover into the next plan year—see the Carryover Rule box to the right for more information. Any amount over \$570 that is not used will still be forfeited.
3. **Daycare funds do not rollover but you do have an additional 2 1/2 months to incur services in the next plan year to use up any remaining funds.**
4. **Save your receipts.** The IRS requires that you retain documentation of all expenses paid from your FSA, so be sure to save your receipts for future reference.

Benefits Update
The dollar limit on employee salary reduction contributions to health FSAs for 2023 is \$3,050.

Carryover Rule

CHANGE TO THE USE-OR-LOSE RULE

On Oct. 31, 2013, the IRS released [Notice 2013-71](#), which relaxes the “use-or-lose” rule for health FSAs. Previously, any money put into a health FSA could not be carried over into the next year.

Under the relaxed rule, employers will now be able to allow participants to carry over up to \$570 in unused funds into the next year. Any unused FSA amount above \$570 will be forfeited.

The carryover does not affect the \$3,050 limit on salary reduction contributions. This means the plan may permit you to elect up to \$3,050 in salary reductions in addition to the \$570 that may be carried over.

For ease of administration, a cafeteria plan is permitted to treat reimbursements of all claims for expenses that are incurred in the current plan year as reimbursed first from unused amounts for the current plan year and, only after exhausting these current plan year amounts, as then reimbursed from unused carryover amounts from the preceding plan year.

How-To:

✓ Budget your expenses
Estimate your expenses by reviewing the summary of eligible expenses on the back of this Guide.

✓ Sign up for the Program
After you have met the plan’s waiting period, you can enroll during Open Enrollment.

✓ Fund your FSA account
Once you sign up, you’ll set aside money to fund your account through automatic payroll deductions.

✓ Spend your FSA money
Money for health care is available day one. Money for dependent care is available as it is withheld from your pay.

How will you use your FSA this year?

TIP: You can fund up to \$3,050 for health care related expenses and \$5,000 for dependent care expenses (\$2,500 if you are married filing separate returns).

TIP: A question to ask yourself when planning your health care expenses is whether the expense is for a specific medical issue or your overall health. If it's for your overall health, like a gym membership, vitamin supplements, or massage therapy, it's generally not eligible, unless you have a note of medical necessity from your health care provider.

TIP: If you have two or more qualifying children and your child care expenses are at least \$6,000, you may be able to take advantage of both the FSA and the Child Care Tax Credit. See your tax advisor for more information.

Eligible FSA Expense	Example	Estimated Cost
Dental Care		
Annual dental plan deductible		\$
Crowns, bridges, dentures, implants	\$ 200	+ \$
Orthodontia (including braces)		+ \$
Vision Care		
Prescription glasses and sunglasses	400	+ \$
Contact lenses and solution		+ \$
Laser eye surgery (LASIK)		+ \$
Medical and Alternative Care		
Doctor visits		+ \$
Prescription drugs		+ \$
Flu shots and immunizations		+ \$
Massage therapy ⁽¹⁾		+ \$
Smoking cessation		+ \$
Weight loss		+ \$
Chiropractor & Naturopath visits		+ \$
Dermatologist visits		+ \$
Personal Protective Equipment (PPE)		+ \$
Dependent Care		
Child daycare	1,200	+ \$
Babysitting		+ \$
Before and after school programs		+ \$
Summer day camp		+ \$
Elder care		+ \$
Total FSA Amount	1,800	= \$
x 25%	x 0.25	x 0.25
Estimated Savings ⁽³⁾	\$ 450	= \$

⁽¹⁾ Requires a note of medical necessity from your health care provider to qualify for payment.

⁽²⁾ Tax savings are for illustrative purposes only. Actual results will vary depending on your income tax rate, personal financial situation, and other facts and circumstances. This document does not constitute tax or legal advice. Please consult your financial or tax advisor to determine whether an FSA is right for you.