E Benefits Administration

What is a Flexible Spending Account?

A flexible spending account (FSA) is a voluntary, employer-sponsored program for employees to save a portion of their income to be used to pay for qualified medical or dependent care expenses incurred during their benefit plan year. Contributions are tax-free.

How it Works:

Health and dependent care FSA plans give employees the opportunity to realize tax savings on medical and daycare expenses through two separate pre-tax accounts.

Health FSA

The money employees contribute to their Health FSA can be used to reimburse themselves for eligible, out-of-pocket health care expenses made for themselves and/or covered dependents. Accounts are funded through payroll deductions. The employer determines the plan year and the maximum contribution amount an individual may contribute to their health FSA during the plan year. The new IRS mandated maximum for plan years beginning 2013 is $2500. Employers may choose any amount up to the $2500 maximum as their plan maximum.

Dependent Care FSAs

A dependent care FSA is set up to reimburse an employee for their eligible, dependent care expenses. Eligible expenses include dependent care expenses for children under age 13, a disabled spouse, and/or a disabled relative or household member who depends on the account holder for at least half of his or her support. Accounts are funded through payroll deductions. The IRS limits dependent care maximums to $5,000 per year - $2,500 if the employee is married and filing separately.

FSA Elections:

When an employee enrolls in a health and/or dependent care FSA, they will need to elect the total amount of coverage they need for the plan year. In other words, they will have to decide upfront how much money they want to have deducted from each of their pay checks to fund this account. These deductions are exempt from state, federal, and FICA taxes.

Encourage employees to calculate expected spending as closely as they can in order to determine the total amount of funds they want deducted from their annual income in a plan year. Once enrolled, an employee cannot change their annual contribution election unless they experience a qualified status change, such as marriage, divorce, birth or adoption of a child, death of a dependent, or a change in the employment status of their spouse.

Use It or Lose It:

Funds in a health and/or dependent care FSA can only be used throughout the plan year. Unused funds will revert to the employer. Funds cannot be transferred from one account to another or rolled into the next plan year. In addition, employees must file claims for an expense incurred during the plan year and before the end of the grace period, in order to receive a reimbursement from the FSA. All funds remaining in the account following the grace period will be "forfeited" to the employer.

Reimbursement Options:

If the employee is unable to use their FSA MasterCard, and need to submit a manual claim they may do so via fax, email or online at www.ebenefitsadministration.com. Employees will need to submit a completed claim form with an itemized receipt or bill that indicates the date and type of services and the amount they are responsible for.

E Benefits Administration can pay claims out daily, weekly, monthly or any other set time the employer wishes. If they choose, individuals may submit a completed direct deposit form and have reimbursements directly deposited into a personal account. Otherwise, payment will be mailed in the form of a check to the employer for signature, unless a signature from the employer has been received, then checks will be mailed directly to the employee's home address.