



# Employee FAQ:

## Flexible Spending Accounts with the Grace Period

### What is an FSA?

A health Flexible Spending Account (FSA) is an employer-sponsored benefit that allows you to set aside pre-tax dollars into an account to be used for eligible medical expenses.

### Why should I participate in an FSA?

Contributions to the FSA are deducted from your paycheck on a pre-tax basis, reducing your taxable income. You can increase your spendable income by an average of 30% of your annual contribution with the tax savings.

### How do I contribute money to my FSA?

Your annual election will be divided by the number of pay periods in your plan year. This amount will be deducted from your paycheck before taxes are assessed.

### How much can I contribute to my FSA?

For plans beginning in 2025, annual contributions may not exceed \$3,300 per year, as determined by the IRS. Please note your employer may have a different maximum limit.

### Who is eligible under an FSA?

An FSA covers eligible expenses for you and all of your dependents, even if they are not covered under your primary health plan.

### What expenses are eligible for reimbursement?

Health plan co-pays, deductibles, co-insurance, eyeglasses, dental care, and certain medical supplies are covered. The IRS provides specific guidance regarding eligible expenses. (See IRS Publication 502).

### How do I determine the date my expenses were incurred?

Expenses are incurred at the time the medical care was provided, not when you are invoiced or pay the bill.

### How do I get the funds out of my FSA?

If you have a benefits debit card, simply swipe it at the register. Otherwise, just file a claim including the receipt documenting the type, amount and date. Once

approved, your reimbursement check will be mailed or deposited into your bank account.

### What happens if I don't spend all of my FSA by the end of the plan year?

Be sure to only allocate dollars for predictable medical expenses. Any unused funds at the end of the plan year are typically forfeited, also called the use-or-lose rule.

### Grace Period

Your employer has adopted a grace period to use your previous plan year balance. After the grace period you will have until your run out date to submit any claims incurred during your previous plan year including your grace period to submit claims for reimbursement. After that date any remaining funds will be forfeited.

### How soon can I start spending my FSA funds?

With a healthcare FSA, your entire annual election amount is available on the first day of the plan year even though you have not yet contributed that amount.

### Can I change my election amount mid-year?

Elections can only be altered if you experience a change in status as defined by IRS regulations, such as marriage, divorce, birth, or death in your immediate family.

### What happens to my FSA if my employment is terminated?

Participation in your FSA is also terminated. This means that only expenses that were incurred prior to your termination date are eligible for reimbursement.

### What is the deadline for submitting claims?

You can submit claims for reimbursement at any time during the same plan year that you incur the expense. You will also have a run out period at the end of the plan year. This is a designated amount of time to submit claims for expenses incurred while you were active in the plan year plus grace period. Check the summary plan document your employer provided you for your run out period deadline.

### **Can I still deduct healthcare expenses on my tax return?**

Yes, but not the same expenses for which you have already been reimbursed from your FSA.

### **Are over-the-counter (OTC) medications**

Yes. The CARES Act reinstated OTC medications as eligible, without a Prescription, as well as Menstrual Care products.

### **What is a Letter of Medical Necessity?**

The IRS mandates that eligible expenses be primarily for the diagnosis, treatment or prevention of disease or for treatment of conditions affecting any functional part of the body. For example, vitamins are not typically covered because they are used for general wellness, but your doctor may prescribe a vitamin to treat your medical condition. The vitamin would then be eligible if your doctor verified the necessity in treatment.



**For more information, call 800-499-3539**