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ConnectYourCare Special Edition

FSAs for Dummies

A Wiley Brand

Learn to:

- Lower your taxable income with an FSA
- Pay for health care expenses tax-free
- Submit FSA claims
- Determine your annual FSA contribution
- Maximize your health care savings

ConnectYourCare Executive Team

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As people who can make sense of the evolving health care landscape, ConnectYourCare gives employers a fighting chance against skyrocketing health care costs, while offering employees a valuable benefit they can use to better manage health savings. Delivering return on investment and efficiencies at every turn; giving individuals tools they can use to make better-informed choices, including renowned service representatives; simplifying the entire process with market-setting technology solutions — and continually developing new features and options — are the core competencies that have allowed ConnectYourCare to grow a loyal and highly satisfied client base of organizations of every size. Learn more at **www.ConnectYourCare.com**.

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Executive Team

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Introduction

A flexible spending account (FSA) is a great tool for helping you manage your health care budget. With an FSA, you have the ability to use pre-tax dollars to pay for qualified medical or dependent care expenses. You choose how much money to contribute to your FSA, within limits, and you choose what qualified expenses to spend your FSA funds on and when to spend them — an FSA is flexible that way.

About This Book

In this book, we offer you basic information and advice to help you understand and make use of the FSA benefits you access through your employer. We cover how to open an account, how to contribute to it, and how to spend the funds within the constraints of Internal Revenue Service (IRS) regulations. You may have picked up a copy of this book because you're either eligible for an FSA through your employer and want more information, or you have an FSA and want to find out how to make the most of it.

Even if your reason is different, we hope you find what you're looking for. We certainly did our best to cover the basics and more about FSAs.

Icons Used in This Book

The small images in the margins direct your attention to especially notable information. We use five icons in this book.

TIP

Information next to the bull's-eye highlights on-point ways to streamline your FSA dealings.

REMEMBER

Tips and advice worth keeping in mind are marked with this icon.

This icon points to practices to steer clear of and warns of dangerous interpretations.

This icon alerts you to special FSA information: the Dependent Care Assistance Program (DCAP) FSA. The DCAP FSA lets you set aside pre-tax dollars to pay for care for your dependent children and incapacitated loved ones while you are at work.

Information with this icon gives you insight into the Special Purpose FSA (SPFSA). Benefits here are limited, so read closely on what's covered.

Where to Go from Here

This book is designed to allow you to jump in anywhere that interests you. If you're eager to open an FSA and start accumulating money to spend on your health care expenses, head to Chapter 2. Go to Chapter 1 for an overview of the variety of FSAs available to you. Chapter 3 tells you what you can spend FSA funds on, and Chapter 4 gives you the methods you can use to access your FSA money. And, if you need some quick convincing or reassurance that you're doing the right thing by opening an FSA, Chapter 5 lists ten of the advantages of owning an FSA. So take the plunge and enjoy the benefits of your FSA!

Our lawyers made us add this

This book is only intended to help you become familiar with how FSAs work. If anything we say in this book conflicts with IRS guidance or other benefits laws, regulations, or agency guidance (such as the Employee Retirement Income Security Act [ERISA] of 1974, as amended), the laws, regulations, and agency guidance control must be followed. Also, you should review your employer's documents regarding your FSA because nothing in this book takes precedence over your employer's documents that govern the FSA plan or any other plan.

In addition, nothing in this book should be considered tax or legal advice. Please consult with your tax advisor about your specific situation. We can't and don't guarantee any particular tax result as a result of your participation in any plan or program.

Chapter 1

What Is an FSA and Why Do You Want One?

In This Chapter

- Defining FSAs
- Discovering the types of FSAs
- Checking out the advantages

A flexible spending account (FSA) is a wonderful way to set aside money to spend on health care and dependent care expenses. Through a payroll deduction, you put pre-tax money into your account. Then you draw on those funds when you need to pay for almost any health care or dependent care expense (you can't use FSA funds to pay insurance premiums). There are several types of FSAs, which we explain in this chapter.

Defining FSAs

Selecting an FSA gives you the ability to direct your employer to deposit a certain amount of your pre-tax dollars into an account that you can use to pay for qualified medical or dependent care expenses.

REMEMBER

Your employer is a key player in your FSA (if you're self-employed, you can't open one, but you can still set one up for your employees). You can opt for an FSA as part of the cafeteria plan of health care benefits your employer offers. (*Cafeteria-style plans* are designed to let you choose from a range of pre-tax benefits, one of which is an FSA.) Your employer is responsible for maintaining and administering your FSA, although the funds are yours to spend on qualified medical expenses, subject to the IRS's rules. Often, your employer will delegate many of its administrative duties to an FSA provider.

WARNING!

The money in your FSA reverts to your employer or the plan if you don't spend it all by the end of the plan year, unless your employer's plan allows otherwise. We talk about rollover plans and grace periods in Chapter 3.

The process for all types of FSAs, including Dependent Care Assistance Program FSAs and Special Purpose FSAs, which we explain a little later in this chapter, is pretty simple:

1. **You make an agreement with your employer to put a specific amount of your earnings into a designated FSA.**

   You state how much you want your yearly contribution to be (it's subject to limits that we lay out in Chapter 2) at the beginning of your benefits plan year. (The agreement between you and your employer is often called a *salary reduction agreement.*)

2. **Your employer divides the total amount into paycheck-size portions and deducts that amount from each paycheck.**

   So, before taxes are taken out of your earnings, part of your pay is deposited into your FSA. Most employers deduct roughly equal amounts from each paycheck, but your benefits plan may call for some other arrangement — deductions once a month or once a quarter, for example. Check your FSA documentation or ask your benefits specialist at work if you're unsure.

3. **You spend your FSA funds on qualified expenses.**

   Chapter 3 lists the range of items and services you can spend FSA funds on and tells you what not to spend on as well.

Looking at Types of FSAs

This section describes the different types of FSAs you can open, depending on your health care and child care needs. We talk about how to contribute to your FSA in Chapter 2 and eligible and ineligible expenses in Chapter 3.

Explaining the basic health care FSA

A health care FSA gives you the freedom to pay a whole range of health care expenses with money you put in tax-free. A health care FSA can reimburse the eligible medical expenses incurred by you, your spouse, your child who has not attained age 27 as of the end of the year, or your tax dependent for health coverage purposes. (Head to Chapter 3 for information on eligible and ineligible expenses.)

You estimate how much you'll spend in eligible health care expenses for the upcoming year and tell your employer to withhold that amount — up to the limits we talk about in Chapter 2 — to deposit into your FSA(s).

An FSA is a pretty great way to pay health care expenses — it's tax-free coming and going. You put in pre-tax money, and, as long as you spend it on eligible expenses, you don't pay taxes when you spend it. You also reduce the amount of wages you pay federal income tax on, so the adjusted gross income amount on your 1040 tax form is smaller by the amount of money you put into your FSA. Your FSA contributions are also exempt from federal employment taxes, such as a Social Security and Medicare taxes.

Funding dependent care expenses with a Dependent Care FSA

If you have dependent children under age 13, or if you have a qualifying relative, spouse, or incapacitated child age 13 or over who's incapable of self-care and regularly spends at least eight hours each day in your house, look into opening a Dependent Care Assistance Program (DCAP) FSA to cover those expenses while you're at work. Through a DCAP FSA, you can set aside pre-tax dollars to pay for care for your dependent children and incapacitated loved ones while you are at work. A DCAP FSA is a type of FSA, but you can open a DCAP FSA without having an FSA.

To qualify for a DCAP FSA, you must meet certain conditions:

- You and your spouse have to pay caretakers because you're working or looking for work. If your spouse isn't working but is registered as a full-time student or is physically or mentally unable to care for himself, you might still qualify for a DCAP FSA.
- You must maintain a home for at least six months of the year where you, your spouse (if you have one), and the dependent child, qualifying relative, or incapacitated spouse or child all live.
- The caretaker you pay can't be someone you can claim as a dependent on your federal tax return.

  So, you can't hire your 17-year-old to watch your 10-year-old after school. That arrangement could work out very well — or not so much — for family relations, but you can't use DCAP FSA funds to pay for it. Nor can you hire your independent child (including stepchild or foster child) who's under age 19, your spouse, the parent of the child, or qualifying relative whom you claim on your federal tax return to care for your aging parents or younger children.

WARNING!

A DCAP FSA doesn't cover medical care.

Looking at a Special Purpose FSA for vision or dental care

The benefits of a Special Purpose FSA (SPFSA) are similar to those of a health care FSA. These accounts are often paired with another account type, typically a health savings account (HSA), which the law prohibits from being offered with a health care FSA. You can spend your SPFSA funds on vision and dental expenses to save your HSA funds. Qualified expenses include teeth cleanings, dental and eye exams, oral and eye surgery, glasses, and contact lenses. (We list more eligible expenses in Chapter 3.) Generally, you can use your SPFSA fund for reimbursement of the eligible medical expenses incurred by you, your spouse, your child who has not attained age 27 as of the end of the year, or your tax dependent for health coverage purposes.

Taking the Advantages into Account

Putting money into any kind of FSA — a health care FSA, SPFSA, or a DCAP FSA — can be a smart thing to do. In this section, you discover some of the biggest advantages.

Save, save, save

Health care expenses are a fact of life, and setting aside money to pay for them, especially tax-free money, can save you a bundle. Table 1-1 shows taxes and savings with and without an FSA for two single individuals with the same income and health care expenses.

The sample tax savings in Table 1-1 are based on a single taxpayer with no dependents; actual savings will vary based on your individual tax situation. Consult a tax professional for more information.

Table 1-1 Sample FSA Savings

Income/Expenditure	*With an FSA*	*Without an FSA*
Annual wages	$30,000	$30,000
Pre-tax FSA contribution	– $2,000	$0
Taxable income	= $28,000	= $30,000
Federal income tax	– $3,750*	– $4,050*
After-tax dollars spent on eligible expenses	$0	– $2,000
Spendable income	$24,250	$23,950
Tax savings	$300	$0

**Based on 2014 IRS tax table for someone who is filing as single.*

So, with an FSA, in this scenario, you save $300 in a year! You might save even more because your FSA contributions aren't subject to Social Security and Medicare taxes. And if you can't come up with something fun — or frugal — to do with $300, we're happy to offer suggestions.

Contribute pre-tax earnings

The funds you tell your employer to put into your FSA are *pre-tax dollars,* meaning dollars with no federal employment or income taxes deducted. So, your overall tax burden is lessened by the amount you contribute to your FSA. The adjusted gross income amount you report on your federal tax form is less the amount you put into your FSA.

WARNING! Some states tax FSA contributions. For example, Pennsylvania taxes contributions to DCAP FSAs, while New Jersey taxes contributions to DCAP FSAs, health care FSAs, and SPFSAs.

Spend funds tax-free

As long as you spend your FSA funds on eligible expenses and meet any plan requirements (see Chapter 3), your funds are never taxed. Spending FSA funds is like getting a discount on your health care expenses. The typical FSA owner can save nearly $500 a year on health care costs!

TIP Check out `www.connectyourcare.com/flexible-spending-account` for a quick rundown of FSA benefits.

Have funds to pay for health care expenses

You have enough things you need to spend your hard-earned money on — mortgage or rent, commuting costs, clothing, food, and entertainment for you and your family — without even counting health care expenses.

From time to time you may wonder where the money's going to come from to cover your everyday expenses, but if you're contributing to an FSA, you have funds to pay for your health care needs even if you haven't put the money in yet (see the next section). You can access your FSA directly or get reimbursed for qualified expenses. You can draw from your FSA for any eligible health care expense in any number of ways, which we talk about in Chapter 4.

Funds available up front — before payroll deposits

You tell your employer at the beginning of the benefit period how much of your earnings to withhold for your FSA for the plan year. Then, generally every pay period, a portion of your total contribution goes into your FSA.

The good news is that you can access the amount of your total annual contribution at any time during the current plan year while you're covered by your employer's plan. So, if you break your leg skiing and have to pay out-of-network fees for the doctor's services, you can use the whole amount of your contribution even on the first day of your coverage period, so long as you committed to that amount.

If you want to use funds in your FSA before they've been deposited in your account, you simply need to submit the proper documentation for your eligible health care expenses in order to receive reimbursement.

Assigning funds for dependent care expenses

If you go to work and leave a dependent child or adult in the care of someone else, you can pay that caretaker with funds from your DCAP FSA — an FSA explained earlier in this chapter in "Funding dependent care expenses with a Dependent Care FSA."

If you and your spouse both work or go to school full-time, or if your spouse is incapacitated, you can use tax-free funds from your DCAP FSA to pay for things like pre-school and after-school care for your children as well as for care for aging or incapacitated loved ones. (Chapter 3 lists a range of expenses you can pay.)

Focusing on vision and dental needs

Your SPFSA, a type of health care FSA, can pay for vision and dental exams plus eyeglasses, surgeries, and braces, allowing you to preserve funds in other health accounts. Most employers offer an SPFSA paired with an additional savings account. Some allow your SPFSA to flip to a full health care FSA for expenses incurred after you meet your deductible. Check out Chapter 3 for a list of covered qualified vision and dental costs.

Chapter 2

Putting Money into Your FSA

In This Chapter

- Opening an FSA
- Determining how much to contribute
- Making a timely decision about the amount
- Choosing to re-enroll
- Considering tax issues

This chapter tells you how and how much you can contribute to your flexible spending account (FSA).

How You Can Contribute

The process is simple: You opt for an FSA through your employer's cafeteria-style benefits plan. (*Cafeteria style* indicates a variety of benefits you can choose from.) You then figure out how much you want to contribute for the plan year, elect coverage according to your employer's procedures, and have the funds available to spend at any time in the case of a health care FSA or special purpose FSA (SPFSA), or as you make the contributions in the case of a Dependent Care Assistance Program (DCAP) FSA. Your contribution is subject to government-imposed limits, which we explain in the upcoming "How Much You Can Contribute" section.

The amount you put into your health care FSA, SPFSA, or DCAP FSA isn't subject to federal income or employment taxes and neither is any money your employer contributes.

However, some states tax FSA and DCAP FSA contributions. For example, Pennsylvania taxes contributions to DCAP FSAs, while New Jersey taxes contributions to DCAP FSAs, health care FSAs, and SPFSAs.

Deducting your contribution amount through payroll

The contribution process happens pretty much out of your sight: You tell your employer the total amount you want to contribute for the year or contribution period, and the payroll people typically deduct it in roughly equal amounts from your pre-tax earnings each pay period (a few employers have different contribution schedules, though). We tell you about contribution limits in the upcoming section, "How Much You Can Contribute." So, your paycheck comes to you minus your contribution amount and your FSA and/or your DCAP FSA is credited that amount.

Making adjustments to your contribution amount

From time to time you experience life-changing events. We hope they're all on the happy side — you get married, you have a child, and so on. But divorce and death happen too, and any of these events may trigger your ability to make changes to the amount you contribute to your FSA and DCAP FSA plans.

If you add a spouse or a child, you may want to increase the amount you put into your FSA to help pay his or her health care costs. And, if you get divorced or lose a covered loved one, your expenses may not be as great as you anticipated when you told your employer how much to deduct at the beginning of the plan year.

The ability to change your contribution amount after you set it exists only if your employer's plan and IRS rules allow it. So, if your circumstances change, check your plan documentation or ask your employer what your options are. Please keep in mind that you cannot reduce your health care FSA or SPFSA contributions below what you have already been reimbursed.

Note: If you're a reservist and get called to active duty, the HEART Act may give you options for withdrawing health care FSA or SPFSA funds if permitted by your employer. Check out Chapter 3 for more information.

Welcoming funds from your employer — if they're offered

With certain plans, your employer can contribute to your FSA. Employer-contributed funds are subject to the same spending rules as your own contributions. However, employer contributions won't reduce the amount that you can contribute to a health care FSA or SPFSA unless you could elect to receive them as cash or a taxable benefit.

REMEMBER

Like your own contributions to your FSA, any money your employer puts into your account does not count as gross income — contributions are truly tax-free.

How Much You Can Contribute

The amount you put into your FSA is governed by a couple factors: how much you spend on health care expenses during the year and the federally mandated limits on contribution amounts. This section walks you through considering both.

Meeting but not exceeding the limits

The federal government, in the form of the Internal Revenue Service (IRS), limits how much money can go into your FSA, SPFSA, and your DCAP FSA. This list shows maximum contribution levels for each type of FSA:

- **Health care FSA:** For the 2015 tax year, as an individual you can contribute $2,550 to your FSA. A married couple can each contribute that amount to separate FSAs for a total of $5,100.

- **SPFSA:** You can contribute $2,550 per year to your SPFSA (a married couple can double that if each spouse's employer offers an FSA plan). Keep in mind that your SPFSA funds can pay only for qualified dental and vision expenses. You can't maintain both a health care FSA and an SPFSA.
- **DCAP FSA:** If you're single or file as head of household, you can contribute up to $5,000 to your DCAP FSA. If you're married and file jointly, $5,000 is your limit; if you file separately, you each can contribute $2,500. However, if less, you can't contribute more than the lesser of: (a) your earned income for the year, or (b) if you're married at the end of the year, your spouse's earned income. Generally, "earned income" is "wages, salaries, tips, and other employee compensation, but only if such amounts are includible in gross income for the taxable year," plus net earnings from self-employment. However, you should consult with a tax advisor if you have questions regarding the amount of your earned income.

The health care FSA and SPFSA limits are current for 2015, but limits may be adjusted from time to time, so check for current FSA limits at `www.connectyourcare.com/fsalimits`.

Calculating your contribution amount

You can spend the money in your health care FSA to pay for a wide variety of medical, dental, and vision expenses — we go into the particulars of eligible expenses in Chapter 3. Be sure to match your FSA contributions to your expected expenditures. With many plans, if you don't spend all your FSA funds by the end of the plan year, the leftover money goes back to the plan (for example, to pay the costs of administering the plan). Some employers allow you to roll over some funds to the next year's FSA or give you a grace period after the plan year ends to spend the rest of your funds. It's wise to plan accordingly whether or not you have either of these options. Keep in mind that your employer can't allow you to roll over any DCAP FSA funds.

Because your FSA funds may not roll over to the next year, calculate your contribution so that it's as close as possible to the amount you think you'll spend in the upcoming year for you and your family. Use Table 2-1 to record how much you anticipate spending in the upcoming year. You can also visit `www.connectyourcare.com/calculators` to estimate your health care and dependent care expenses.

Table 2-1 Estimated Health Care Expenses

Expense	*Amount*
Dental and vision exams and preventive measures	
Dental and vision surgeries	
Diagnostic tests and procedures	
Insulin and syringes	
Medical copays, including office visits to doctors, chiropractors, and psychiatrists	

We go into greater detail about what you can spend FSA funds on in Chapter 3. If you're electing the SPFSA, you should only include dental and vision expenses in your expense estimates.

If you have a DCAP FSA as well as an FSA, use Table 2-2 to estimate your annual expenses and determine the proper amount to put into your DCAP FSA. Remember that funds in a DCAP FSA never roll over, so be sure to spend everything you put in.

Table 2-2 Estimated Care Expenses

Expense	*Amount*
Au pair or other in-home caretaker	
Before-school and after-school care	
Day camp fees	
Day-care center fees	
Elder caretaker during the day in your home	
In-home care for an incapacitated adult in your home	

TIP

ConnectYourCare has an expense calculator at `www.connectyourcare.com/calculators`.

When You Can Contribute

You need to decide how much you want to contribute to your FSA at the start of your plan year. You communicate to your employer the total amount you want to contribute to each of your FSA accounts — your health care FSA or SPFSA and DCAP FSA — and a portion of the total is deducted from each paycheck. You must follow your employer's election procedures. Under certain circumstances, and if your plan allows it, you can change your contribution amount to your health care FSA.

Knowing When to Re-enroll

Your FSA — any type of FSA — doesn't renew automatically.

Choosing to re-enroll each year

At the beginning of every plan year, you need to enroll in your FSA and tell your employer how much you want to contribute.

TIP

Be sure to find out what the contribution limits are for the current year so you don't exceed them and cause yourself headaches later on. The benefits professional at work should be able to tell you the IRS maximums for the year.

Determining whether your employer allows rollover

Most FSAs contain a "use it or lose it" clause, meaning that if you don't spend all the money you put in by the end of the year, it reverts to your employer. (Don't blame your employer; she's legally prohibited from returning excess money.) You don't want that to happen, so figure out how much you're likely to spend on eligible expenses and contribute just that amount to your FSA.

That said, your plan may allow for different end-of-year adjustments:

- A **rollover** allows leftover funds from the current year's health care FSA or SPFSA to move over to next year without affecting annual maximum contributions. By law, there's a $500 cap on the rollover amount, but your plan may stipulate an amount less than that.
- A **grace period** gives you anywhere from a few weeks up to two and a half months in the year following your plan year to spend down the amount in your FSA or DCAP FSA on eligible expenses.
- A **run out** gives you a period of time to submit a claim for a plan year that has ended or you leave your job. Your employer determines the run-out periods for the end of the plan year and for those triggered by a termination (which might be different).

Your health FSA or SPFSA may allow either a rollover or a grace period, but it can't offer both. And, keep in mind that many plans offer neither. So, if you're approaching the end of your plan year and still have money in your FSA, you may want to consider your needs and find a way to spend down your FSA funds. Note, however, that the IRS generally prohibits stockpiling of medications or supplies.

How to Factor in Tax Issues

The next sections explain some of the tax implications for FSAs of all types. Keep in mind that your tax advisor is the best person to help you evaluate the tax implications of any tax-advantaged account and nothing contained in this publication should be considered tax or legal advice.

FSA versus deduction on your taxes

Because you contribute pre-tax funds to your FSA, you cannot deduct that amount from your taxes. If you don't open an FSA and pay your medical expenses from personal funds, you can itemize your medical expenses on Schedule A when you file taxes. Be aware that your health care expenses must generally exceed ten percent of your adjusted gross income in order to qualify as a deduction. So, unless you spend a large portion of your income on medical costs, you're probably better off putting tax-free money into an FSA.

DCAP FSA versus dependent care tax credit

DCAP FSA-SAVVY

The tax issues surrounding having a DCAP FSA or taking the child and dependent care tax credit is one to work out with your tax advisor. See IRS *Publication 503 Child and Dependent Care Expenses* to find out which expenses qualify.

Chapter 3

Spending on Eligible Expenses

In This Chapter

- Looking at qualified medical expenses
- Saving yourself from spending on ineligible expenses
- Checking eligible expenses for a DCAP FSA
- Using SPFSA funds correctly
- Making exceptions for reservists

The purpose of having a flexible spending account (FSA) is to spend the funds you put in tax-free on eligible expenses. This chapter provides you with examples of what those eligible expenses are.

Spending on Qualified Medical Expenses

You can spend your FSA funds on a broad and deep range of health care costs. Additionally, a number of people are eligible spenders of your FSA funds. The medical expenses that you, your spouse, and your dependents incur can be paid from your FSA. Expenses that you pay for with FSA funds, either directly or by reimbursing yourself, aren't eligible itemized deductions on Schedule A of your 1040 federal tax form.

REMEMBER

When you reimburse yourself from your FSA matters as much as *what* you reimburse yourself for. If you're billed for a service you have yet to receive, you can't use FSA funds to pay the bill until you actually receive the service. The exception is for orthodontia — in other words, braces. You're considered to have received orthodontic services when you pay for them.

Prescription required for over-the-counter medications

You can pay for any prescription drug with FSA funds. Many over-the-counter medicines are eligible FSA expenses, too, but you need to ask your health care provider to write a prescription for it to be covered under your FSA.

Insulin is in a category of its own — it is eligible and does not need a prescription. You can always use FSA funds to buy insulin.

If you have a written prescription or a written directive from your health care provider, you can pay for any and all of the following with funds from your FSA:

- Allergy medication
- Cough, cold, and flu treatments
- Flu shot
- Pain relievers
- Remedies for cold sores and motion sickness
- Sleep aids
- Treatments for stomach ailments and constipation
- Yeast infection treatments — anti-fungal and anti-itch products

Some items serve two purposes — they promote general health and can be used for a specific medical purpose. For expenses such as the ones below, you need a note from a health care provider recommending the item to treat a specific medical condition:

- Orthopedic shoes
- Snoring cessation aids

- Supplements and herbal treatments that may promote dietary health, fiber increase, and weight loss
- Vitamins

TIP: As with any expenditure with ties to IRS regulations, it makes sense to save the receipts from any and all of your FSA purchases because the IRS may request that you provide them.

Getting approved treatments

To become or remain healthy, you may seek treatment for a variety of conditions from a variety of health care practitioners. As long as the treatment center and practitioner are qualified under applicable laws, so are your expenses for the following treatments:

- Acupuncture
- Chiropractic care
- Dental treatment and dentures
- Eye examinations, eye glasses, and laser eye surgery
- Fertility treatment
- Orthodontia
- Physical exam

Overcoming an addiction improves your health in immeasurable ways. You can use your FSA funds to pay for treatments to overcome physical and psychological dependencies, including alcoholism, drug addiction, and smoking.

Paying emergency and hospital costs

Most people spend some time in a hospital at some point in their lives. We hope you only go to visit, but if you need to stay, you can pay for most hospital services with FSA funds.

Unfortunately, many people enter the hospital through the emergency room. You can use money from your FSA to pay for

- Ambulance transportation
- Diagnostic services
- Laboratory fees
- Surgery

Buying over-the-counter items

Many health items are available without a prescription. You can walk into any drugstore and use FSA funds to buy bandages and a knee brace and a host of other health-related items.

Many nationwide drugstores and wholesale clubs use an inventory control system approved by the IRS. The Inventory Information Approval System (IIAS) identifies items that are qualified purchases under health care account regulations. Buying your over-the-counter (OTC) items from an IIAS source saves you paperwork because the IRS already knows the purchase is an eligible health care expense, so your FSA debit card works easily, and you don't have to worry about defending your purchase. Some merchants are on the 90 percent list, which means that almost all transactions with them are qualified health care expenses. ConnectYourCare offers updated merchant lists at `www.connectyourcare.com/tools/merchants`.

Eligible OTC items that many people use include the following:

- Contact lens solution and supplies
- Family planning items, including condoms and spermicides
- First-aid supplies, including alcohol wipes, bandages and tape, hydrogen peroxide, and insect-bite treatments
- Sunscreen if it has an SPF (sun protection factor) of 15 or above and offers broad-spectrum coverage

You can pay for these additional items with your FSA money, too:

- Cane, walker, and wheelchair
- Catheters
- Denture adhesive

- Diagnostic tests and monitors
- Reading glasses
- Ostomy related supplies

Sometimes it makes sense to get a prescription for an item even if you can get that item without a prescription. For example, if your doctor wants you to keep track of your blood pressure and pulse and writes you a prescription for a blood-pressure monitor, your insurance provider may pay for the machine.

Avoiding Non-Approved Items

You can spend the money you put in your FSA on a whole range of health-care related goods and services. But, there's a shorter and narrower list of ways you can't use FSA funds. The first and obvious no-no is spending FSA money on illegal products or treatments (including medical marijuana, even in places where it's legal).

You can't use FSA funds to reimburse yourself for health-related expenses paid for by another policy or plan.

Ineligible expenses

If you want to improve your looks, you need to pay from your own pocket. You can't use FSA money to pay for

- Cosmetic surgery
- Hair transplants
- Teeth whitening
- Exercise equipment or fitness programs
- Maternity clothes
- Housekeeping or cooking services

Note: This list isn't exhaustive and all reimbursements must meet the IRS's requirements.

Premiums

You can't pay any insurance premiums with FSA funds. The premiums you *can't* pay include

- Regular health insurance premiums
- COBRA premiums when carrying an insurance policy to a new job
- Long-term care policy
- Eye glass or contact lens warranty coverage

Spending from Your Special Purpose FSA (SPFSA)

Although you can spend funds from an SPFSA only on vision and dental expenses, within those confines, you can use the funds to pay for a pretty long list of expenses, including

- Artificial teeth, bridges, crowns, dentures, and implants
- Braces, retainers, and other measures to correct teeth
- Extra costs for Braille books and materials
- Co-insurance, copays, and deductibles for dental- and vision-related expenses
- Dental exams
- Eye surgery, including laser corrective eye surgery, corneal ring segments (also known as intracorneal rings or intacs), and radial keratotomy, a surgery to correct nearsightedness and astigmatism
- Fillings
- Oral surgery
- Ortho keratology, a procedure that uses contact lenses to correct your vision while you sleep
- Treatments for dental problems and gum disease, including root canals

Your FSA funds can pay for eligible expenses for your spouse, your children under age 27, and qualified tax dependents. You can get reimbursed only for the services provided during the plan year, regardless of when the expense was paid. Save receipts from your SPFSA expenses, just as you save your health care FSA and DCAP FSA receipts.

Following the Rules for DCAP FSAs

DCAP FSAs are specific to paying the people who look after your children or other dependents while you work. (Head to Chapter 1 for a full explanation of DCAP FSAs.) Some of the people you can pay with DCAP FSA funds — *after* the service has been provided and not before — include the following:

- **An au pair or nanny:** You can pay caretakers who tend to your young children or dependent adult in your home — including baby sitters.
- **A before-school or after-school care provider:** You can even pay late pick-up charges if you accrue them but not late payment penalty fees.
- **Day camp fees:** Day camps and summer or holiday camps are eligible; fees for overnight camps are not.
- **A licensed day-care center:** Note the word *licensed* — Aunt Anna who takes in neighborhood kids doesn't qualify.
- **A nursery school or pre-school:** You can't pay tuition with DCAP FSA funds, though.

What you can spend DCAP FSA funds on is very specific. You aren't allowed to pay the following expenses:

- Care for children 13 and older unless physically or mentally incapacitated
- Care for a dependent adult who doesn't live with you at least eight hours a day
- Late payment fees (although you can pay late pick-up fees)
- Registration fees
- Transportation expenses

Note: This list isn't exhaustive and all reimbursements must meet the IRS's requirements.

If you call in sick from work, you can't pay the caretaker for your child or dependent adult from DCAP FSA funds for that day because then it's not a job-related expense.

Spending All You Put In

Normally, having money left over at the end of the year is a good thing, but FSAs are a little different. Most FSAs have a "use it or lose it" rule, which means that any money left in your FSA at the end of the plan year reverts to the plan.

It pays to map out your eligible expenses for the year and put just that amount into your FSA so you don't risk forfeiting funds at the end of the year. Your plan may allow you to roll over funds or to take advantage of a grace period to spend down your FSA dollars, but your employer isn't allowed to offer both. We address both options in the next sections.

DCAP FSA funds don't roll over even if your plan allows you to roll over health care FSA funds.

Being aware of rollover rules

Prior to 2014, employers had no choice but to have a "use it or lose it" rule because the federal government required it with health care FSA and SPFSA plans. However, now employers can let you roll over up to $500 from one plan year to the next.

Health care FSA funds that roll over may impact your ability to contribute to a health savings account (HSA) during the plan year in which a rollover occurs. If your plan offers rollovers, please review the plan documentation and/or contact your employer if you elect a high-deductible health plan for the next plan year to determine what steps, if any, you can take to be eligible to contribute to an HSA in the next year.

Because your employer *can* offer this benefit doesn't mean it *does* offer it — check with the benefits office at work or your plan documentation. And, the amount your employer allows you to roll over may be less than $500, which is the maximum amount the government allows.

If you roll over funds from last year, you can still contribute the maximum allowed for this year — the rollover amount doesn't count toward your FSA limit for the current year.

Using the grace period to spend down your FSA

Some employers offer a grace period after the end of the plan year that allows you to spend remaining FSA funds on eligible expenses to avoid having the funds revert to your employer. A grace period can be as long as two and a half months, but it may be shorter — check your plan documents or with your benefits specialist at work.

The grace period impacts your ability to contribute to a health savings account (HSA) during the plan year in which the rollover occurs. If your employer offers a grace period, please review the plan documentation and/or contact your employer if you elect a high-deductible health plan for the next plan year to determine what steps, if any, you should take if you want to contribute to an HSA in the next year.

Using the run-out period to spend your FSA funds

Employers may offer a run-out period to submit expenses for a plan year that has ended or after you leave your job. This is your deadline for getting expenses submitted. Your employer determines the run-out periods for the end of the plan year and for those triggered by a termination, which might be different. Please refer to the written plan enrollment materials provided by your employer.

Special rules for reservists, or applying the HEART Act

If you're a reservist with any branch of the armed services — the Army National Guard; U.S. Army, Navy, Marine Corps, Air Force, or Coast Guard Reserve; Air National Guard; or the Reserve Corps of the Public Health Service — and are called up to serve for 180 days or longer, you may benefit from the HEART Act, whose full name is the Heroes Earnings Assistance and Relief Tax Act of 2008.

The HEART Act covers a broad range of benefits for active, retired, and reserve service members and their survivors, including some that apply to health care FSAs and SPFSAs. Provisions of the HEART Act allow employers who offer FSAs to give qualified reservists access to their health care FSA and SPFSA funds if the reservist shows orders calling him to active duty for 180 days or longer or for an indefinite period of time.

The amount of this qualified reservist distribution (QRD), if any, and how often you can take a QRD during a plan year are determined by your employer and your plan. If the plan doesn't specify and it permits a QRD, you can generally take the amount you actually contributed to your FSA to date minus any disbursements you made before you received your orders.

The funds must be released after you're called to active duty (it would be hard to know to release them before you get your orders!) and before the last day for disbursement for the plan year, including any grace period the plan allows. Generally, your employer has up to 60 days after your request to release the funds if the plan permits QRDs.

Note: Funds released through a QRD are no longer considered FSA funds, so they're taxed as wages, and the amount shows up on the W-2 you receive from your employer at the end of the year.

Check out `myarmybenefits.us.army.mil/Home.html`. This site includes a lot of information on benefits of interest to service members.

Chapter 4

Accessing Your FSA Funds

In This Chapter

- Paying by card
- Getting repaid
- Sending in claims

Spending the money in your flexible spending account (FSA) is as easy as spending any other way — generally, you just swipe a card. If a card isn't convenient enough (or if your employer doesn't offer a card), you can also pay for qualified expenses out of personal funds and get reimbursed with funds from your FSA.

Using Your Payment Card

After you open a health care FSA or SPFSA, the administrator of your account may provide you a card that you can use just as you do a credit or debit card to pay your eligible medical expenses. ***Note:*** These payment cards aren't typically used for dependent care expenses.

REMEMBER

The card tied to your FSA works only at merchants designated as health care providers. Examples include

- Doctor's offices
- Drugstores
- Hospitals
- Pharmacies
- Dentists

- Ophthalmologists
- Vision Centers

Save all your health care receipts. Even if you use your card at a pharmacy whose sole purpose is to fill prescriptions, save the receipts. If you ever need to prove that a payment was for an eligible expense, having the documentation can make the process a whole lot easier on you. If you can't prove that the payment was for an eligible expense, you may have to repay the plan and/or the IRS may assess additional taxes or penalties.

To pay an eligible expense (we list them in Chapter 3), you simply swipe your card to deduct the amount from your account balance. Your card is pretty smart — or at least the system it links to is. As you swipe, the system instantaneously registers certain facts about the transaction:

- **The type of merchant:** To be automatically accepted, your payment card must be used at a merchant with the correct Merchant Category Code (MCC). If the merchant or service provider doesn't have the proper code as a health care location, your payment will be denied. If you believe the service or items you're paying for are in fact legitimate FSA expenses, you can pay from personal funds and submit a reimbursement request. (See "Reimbursing Yourself" later in this chapter.)

  Do yourself and the cashier a favor and don't argue if your FSA card doesn't go through. The cashier can't change the system, and, although it may be a bit of a hassle for you, you can send in a claim and get your money back from your FSA if the claim eligible.
- **The funds available in your FSA:** If your account doesn't have enough funds to cover the total amount, in most cases the card may withdraw your remaining funds, and you can pay the balance by another method.

Along with giving you quick and easy access to your FSA funds, using your card also means

- Your purchases are automatically recorded online.
- You don't have to wait for reimbursement.

SPFSA-SAVVY

If your plan allows it, you may be able to access funds from multiple accounts with a single card. So if you have a Special Purpose Flexible Spending Account (SPFSA) and a health savings account (HSA) with the same provider, you can use the same card to make payments from both accounts.

Reimbursing Yourself

Sometimes you can't or don't want to pay your health care or dependent care expenses with a card:

- The merchant doesn't accept cards or doesn't accept the type of card associated with your FSA.
- You forgot the card at home or left it in another pair of pants or a different purse.
- You plan to take out all your FSA funds in one big chunk at the end of the plan year instead of dipping into your account throughout the year.
- You need to pay for dependent care.

Whatever the reason, you can request and receive reimbursement for your eligible expenses at any time before your plan's reimbursement deadline. The upcoming "Submitting Claims" section tells you how.

TIP

Regardless of how you pay, make sure the service provider has your insurance information so you're charged the proper amount. Different insurance companies may have different copay and deductible amounts for the same service, and the provider may charge different amounts in certain circumstances.

Saving and submitting receipts for health care expenses

When you're seeking to be reimbursed for health care costs you paid with personal funds, you definitely need the receipts for those goods and services. And, although it may seem obvious that a payment to The Medical Association of Highly Qualified Doctors is a medical expense, the obvious isn't always enough to satisfy the IRS, so save every receipt regardless of whether you seek reimbursement or use a card.

Some services are verified automatically, but the government needs to know that all the charges you're requesting reimbursement for are eligible expenses. The IRS won't necessarily take your word for it that the $34.59 you spent at the corner drugstore on Saturday afternoon was for first-aid items to take care of rope burns, scrapes, and strained muscles you and your kids suffered during the tug-of-war at the family reunion.

Often, the information transmitted when you use your card is sufficient to identify the transaction as an eligible expense. But, if your plan needs clarification or additional information, you'll get a notice.

If your plan provider requests a receipt and you don't submit it before the deadline, your FSA card may be deactivated. You'll get that embarrassing *Declined* message until you resolve the issue.

The list of eligible expenses is long (see Chapter 3), but the government — and sometimes your plan administrator — still needs to be able to double-check. In addition, some employers choose not to permit certain expenses.

To satisfy the IRS, a receipt for health expenses includes the following information:

- Your cost of the service
- Date of the service
- Description of the service
- Patient name
- Provider name

The explanation of benefits (EOB) your insurance company gives you contains all the information required. The receipt from a drugstore for items your insurance company doesn't cover, but that are qualified FSA expenses, generally provides everything except the patient's name, and you provide that in your request.

Saving and submitting receipts for dependent care expenses

DCAP FSA-SAVVY

For reimbursement for dependent care costs, you need to keep the receipts for those services. Unlike the health FSA, you may only receive reimbursement from your Dependent Care Assistance Program (DCAP) FSA account equal to the amount you've actually deposited. Submit your itemized receipt as documentation, and remember, receipts for these expenses must include the name of the dependent and the tax identification number of the dependent care provider. Make sure the receipt shows the service is daycare and the period covered.

Depositing your reimbursement

Usually, the time between your submitting a reimbursement request and your FSA plan provider processing isn't very long. After processing and approving your request, your plan administrator does one of two things:

- Issues a check and mails it to you
- Deposits money directly into your bank account
- Sends a check to your provider

Keeping track of expenses

One of the nice things about technology is that it's very good at keeping records (sometimes too good — that unflattering selfie seems to circulate forever). When you swipe your FSA card or submit a reimbursement request, that record gets logged in your plan's files and provides you with a detailed account of your health care expenditures. You can access your record and accounts through your FSA plan provider's web portal or mobile app (if available) 24/7. The upcoming section "Clicking through Your Online Portal" talks about online issues. However, you must still keep your receipts to present to the plan or IRS if requested.

The choice of how to be reimbursed is yours. If you have an ungovernable desire to trade in one piece of paper for other pieces of paper with portraits of founding fathers, that's your right, and you can choose to have checks mailed to you. Taking the time and making the effort to get the money into your wallet is on you.

On the other hand, if you're interested in getting access to your funds quickly and easily without having to make even a virtual trip to your bank, give your plan administrator the info needed to deposit funds directly into your bank or credit union account.

Submitting Claims

You have many options for submitting claims for reimbursement. You just need to collect the proper paperwork and get it in on time.

You can get reimbursed only for eligible health care expenses that haven't been paid by anyone else. If you submit ineligible expenses or try to get reimbursed for costs paid by another source, it's highly likely your error will be discovered. If that happens, you need to replace the funds in your FSA pronto. If you fail to make restitution, your paycheck may be docked (when permitted by law), your future reimbursements may be offset, or the amount in question added to your W-2 — with the appropriate taxes taken out. In addition, the IRS can assess income taxes, plus penalties and interest, if you fail to make restitution promptly.

Gathering your documents

When it comes to sending in a claim for reimbursement, the form remains the same — at least the fact that you need to submit a form remains. However, the form and the receipts you want to be reimbursed for can be real or electronic.

The two items that must accompany any reimbursement request are

- **Online claim request or claim form from work:** You can get one from your benefits advisor at work or access it on your FSA provider's web portal.

The web portal or claim form includes instructions on how to fill it out, so follow those instructions. For example, you need to submit separate claims for reimbursement from your health care FSA and your DCAP FSA.

- **A receipt, or receipts, for the amount claimed:** The "Reimbursing Yourself" section earlier in this chapter lists the information the receipts should contain, but check the claim form to see whether you need to provide additional information. For example, you may need to include the tax identification number and contact information for your child's pre-school if you're requesting reimbursement for fees from your DCAP FSA.

  WARNING! Never send original receipts. You may need them to back up your claim if there are questions. The folks who process your claim make a digital record of your form and accompanying documentation then shred or otherwise destroy the actual paper.

  The easiest way to submit a receipt is to take a picture of it with your smartphone or other device and upload the picture to your plan along with your completed claim form.

REMEMBER You can get reimbursed only for the amount you have to pay yourself; you aren't entitled to a refund if the bill was paid through another source, such as other insurance or another benefits plan.

Filing in time

Generally, you have until the end of your plan year to submit claims for reimbursement. Usually, you have a small window after the plan year ends to get all your claims in (the runout deadline). Go online, review the FSA documents, or contact your employer or FSA administrator to determine your plan's cut-off date for claims and then get your paperwork in before that date.

In most cases, the date of the service, not the date you pay for the service, is the date your FSA administrator recognizes. So, pay attention to your dates, especially at the end of your plan year. For example, if you have a covered medical procedure at the end of the year but don't get the bill for it until the next year, the claim should come out of last year's FSA. Don't use your payment card to pay that bill! Your card isn't tied to last year's FSA anymore. Instead, go to the web portal or fill out a claim form.

Clicking through Your Online Portal

Most companies that administer FSA plans have a web portal you can use to access your FSA and any other health care savings plans you have. You're probably already experienced in accessing accounts online. But, even if you're not all that comfortable online, your plan documentation gives simple instructions on how to sign in to your account and gain access to all the tools available.

You can accomplish almost any task you can otherwise take care of with paper and pen or by talking with a customer service representative. With most plans, by accessing your account online, you can

- Check your account balance
- See the payments you've made with your card
- Submit a reimbursement request and check your reimbursement schedule
- Upload pictures of receipts and claim documentation

Your plan's website may not only give you access to your accounts but also may offer

- Answers to frequently asked questions (FAQs)
- Health education resources
- Information about your plan and its benefits
- Lists of eligible expenses

No doubt your plan has a number you can call to speak with a customer representative, but you can often get answers to your questions and information about your plan just as easily and perhaps more quickly by going online.

Going mobile with ConnectYourCare

If you're lucky — and you already are if you can choose an FSA as part of your benefits package — the administrator of your FSA offers a mobile app you can download to your tablet, laptop, smartphone, or whatever other device you choose. For example, ConnectYourCare offers a mobile app that works with Android, iOS (meaning iPhones), and Windows devices.

With the ConnectYourCare mobile app, you can

- Make payments directly to your provider.
- See your account balances, alerts, and transaction history.
- Submit a claim.
- Tap to call the customer service department.
- Take pictures of receipts and other documentation with your device's camera and upload them to the claims center.

You can also opt to receive alerts and information on your account via text messaging.

Chapter 5

Ten Reasons to Open an FSA

In This Chapter

- Enjoying tax benefits
- Paying and getting paid back
- Making the most of a rollover allowance
- Spending when you want or need to

Your flexible spending account (FSA) can be a real boon to your wallet, your tax bill, and your peace of mind. In this chapter, we list ten (okay, just nine) of the benefits you can realize by opening an FSA.

Enjoy Sweet, Sweet Tax Savings

The tax savings you realize from having an FSA are twofold:

- The contribution you make to your FSA is withdrawn from your earnings before taxes are taken out of it. So, you spend pre-tax money on your qualified health care costs. Because the money is taken out before federal employment and income taxes are paid, your total tax bill is reduced — the amount you contribute to your FSA(s) isn't part of your adjusted gross income at the end of the year.
- You never pay tax on eligible expenses you pay for with FSA funds. (Chapter 3 talks about the many things you can spend FSA money on and the things you can't.)

You can't take itemized deductions for medical expenses you pay for with FSA funds — it's already tax-free!

Cover Unexpected Health Expenses at Any Time

You never plan to have a medical emergency or to run into a situation where you need to spend a chunk of money on health care costs, but the unexpected does happen. When the unexpected involves health care expenses, you can spend FSA funds on eligible expenses, even if you haven't put in a penny yet.

As soon as you commit to contribute a yearly amount to your health care FSA or SPFSA for the current plan year, you can withdraw any or all of that amount — even at the beginning of your plan year before you've made your first contribution.

Health care FSAs and SPFSAs are the only types of FSAs that allow you to withdraw funds before you contribute them. With a Dependent Care Assistance Program (DCAP) FSA, you must have funds in your account before you can withdraw them.

Use Your Payment Card for Immediate Access to Funds

Your FSA operates like a bank account specifically for health care costs. If offered by your employer, you may get a card, similar to a bank card, you can use to buy eligible items and to pay eligible providers. So, when you go to the pharmacy to pick up a prescription, you can swipe your card and have your copay amount immediately deducted from your FSA. You can use your card anywhere it's accepted (usually health care locations).

A bonus is that your activity is automatically recorded and you usually don't need to submit your receipt — although you must keep your receipts if requested by the plan or the IRS.

Have Reimbursements Deposited Directly into Your Bank Account

If you pay eligible medical expenses out of your own pocket, you can request to have the amount reimbursed from your FSA. To get the funds deposited directly into your account, all you have to do is go to the online portal your FSA plan administrator offers and make a request. Then, anytime you submit a reimbursement request — which you can do online or through a mobile app — the funds automatically go into your bank or credit union account. You can also submit a paper claim form and/or receive a paper check if you're not a fan of technology. (Chapter 4 has more information on how you can access your funds.)

You Decide What to Pay with Your FSA

Just because you can pay for a health care expense with FSA funds doesn't mean you have to. You choose what to spend your tax-free funds on, so long as they're eligible expenses. Keep in mind that you can contribute only so much to your FSA, and you can spend only as much as you put in. (We talk about limits in Chapter 2.)

If you or family members have unexpected medical needs, you may choose to spend your FSA funds on big-ticket items and pay for the everyday things out of pocket. For example, first-aid items are eligible FSA expenses, but if your prescription sunglasses fall overboard and go to live with the fishes, you may need to fork over more cash than you'd budgeted to replace them. You can decide to use your tax-free FSA funds to pay for your new glasses and buy bandages with your after-tax dollars.

Start Your Year with a $500 Rollover

If your plan allows it — and some don't, so check your documentation or with your employer — you can re-enroll in an health FSA or SPFSA and move up to $500 from last year's FSA to your FSA for the current plan year. (Your plan may allow you to roll over something less than the $500 maximum allowed, so check before you leave funds in your account.)

WARNING!

If your plan doesn't allow you to roll over funds, any money left in your account at the end of the plan year goes back to the plan — not to you. So spend remaining funds before the end of the year.

Rolling over money that you didn't spend last year gives you a jump-start on paying this year's eligible health care expenses. And, the amount you roll over doesn't count toward this year's contribution limit!

REMEMBER

The only FSA that allows rollover is a health care FSA — you must spend all the money in a DCAP during the current plan year unless your employer offers a grace period (which could not extend more than two and a half months after the end of the plan year).

Save Your Receipts and Get a Big Check at the End of the Year

Think of your FSA like a Christmas Club account if you like. We know, we're all too young to remember Christmas Clubs, but back in the day your grandparents would open a short-term bank account every year, usually sometime in the summer. Every week, they'd put a buck or two into the account, and in mid-December they'd take all the money out and use it to do their Christmas shopping. (A few bucks a week went a lot further back then.)

You can use your FSA account the same way. You can pay for your eligible medical expenses with your own money then submit all your receipts at the end of your plan year and get a big, fat reimbursement check (or a healthy direct deposit into your bank account).

Of course, your plan year may not coincide with the calendar year, but your ability to hold off on spending FSA funds remains. If your plan year runs from March through February, you can use your reimbursement to fund a winter getaway, also known as a trip to get away from winter. Of course, you can come up with your own spending plan because while we think these are fun ways to use your money, we aren't financial advisors.

TIP: You choose when to spend your FSA funds; just be sure to withdraw them before your plan year is over (or before the end of the run-out period, if any, for submitting claims after the end of the plan year).

Pay for More Expenses than You Think Are Eligible

You can use FSA funds to pay for virtually any health care expense. Notably, you can't pay health insurance premiums with FSA funds. But otherwise, it may be easier to list what you can't spend FSA funds on rather than what you can — see Chapter 3 for that.

Some of the surprising things you can use FSA money on include

- A guide dog or other service animal
- Braces — both for your teeth and for your knees or other joints
- Chiropractor
- Fertility treatments
- Laser eye surgery

- Sunscreen (it must be broad spectrum and have a sun protection factor [SPF] of at least 15, but, these days, what sunscreen isn't both?)
- Wheelchair

Chapter 3 has more extensive information on eligible and ineligible expenses. Of course, your FSA provider must follow IRS guidelines before it can reimburse you.

Easy Payroll Deduction

Putting money into an FSA couldn't be easier. You let your employer know what you want your yearly contribution amount to be in accordance with your employer's enrollment requirements. Generally, he then divides that amount into equal amounts and deducts a portion of your total from each paycheck before you even see it.

The money is taken out of your earnings before employment taxes are computed, and you don't pay federal income tax on the amount you put into an FSA, so your contribution is no-muss, no-fuss — and no-tax — from start to finish. However, some states tax FSA and DCAP contributions. For example, Pennsylvania taxes contributions to DCAPs, while New Jersey taxes contributions to DCAPs, health care FSAs, and SPFSAs.

As one of the largest and most responsive providers of health care savings accounts and award-winning solutions, our approach to consumer directed health care is rooted in creating better, more efficient connections among the people who provide benefits, the people accessing services, and the people who deliver services.

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Discover why FSAs are the smart choice for saving on health and dependent day care

By explaining one of the most advantageous employment benefits available today, *FSAs For Dummies*, ConnectYourCare Special Edition, helps you decide if a flexible spending account (FSA) is right for you. Learn about the FSA's pre-tax savings, what's covered under an FSA, and helpful decision-making tools available that can guide you to make the best use of your FSA dollars.

- ***Understand how this benefit saves you money* — *find out how these tax savings really work***
- ***Manage your account* — *get great tips on submitting claims and checking reimbursements***
- ***Learn more online* — *visit the website www.connectyourcare.com for answers to your FSA questions***

Open the book and find:

- **Understandable guidelines for determining qualified medical expenses**
- **Tips on how much to contribute to your FSA**
- **How you can use your FSA to cover family medical costs**

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