



Flexible Spending Accounts

BG 6-1-2021

What is an FSA?

- A Flexible Spending Account allows you to set aside **pre-tax** dollars to pay for eligible out-of-pocket health and dependent care expenses
- Sometimes referred to as “Reimbursement Accounts” or “Cafeteria plan”
- We have 2 separate FSA plans. You can enroll in one or both:

Dependent Daycare Account

*** Healthcare Account**

** You are not eligible to enroll in a Healthcare FSA if you are in a high deductible health plan, such as the UA Health Savings Plan. One cannot have a healthcare FSA and HSA at the same time (IRS rule).*

How do FSA's work?

- Up front, you estimate how much you're going to spend for healthcare and/or daycare for the plan year. Plan year starts first of next month once you enroll and ends December 31.
- **Be conservative and include only predictable expenses and those that qualify for reimbursement under an FSA**
- We will deduct that amount from your paycheck, spread out over the year. Your elected annual amount divided by number of paychecks (26 biweekly or 12 monthly) = deduction amount.
- Deduction is **pre-tax**. Deducted **before** federal, state, Social Security and Medicare taxes are calculated; reduces wages reported on your W-2.

How FSA's work (cont)

- You then file a claim to our FSA administrator, UMR, to reimburse yourself from your own account for eligible expenses
- **If you're in a 30% tax bracket, it's like you're saving 30% on eligible healthcare and daycare expenses**
- Healthcare FSA's are initially funded by UAMS -- you can "spend" it right away, then have rest of the year to pay in. Dependent Care FSA's are different – you have to put in the money before getting reimbursed.
- **PLEASE!** Visit our web site, hr.uams.edu, to view a more detailed presentation on [how FSA's work](#), especially if you've never done one before.

Dependent Daycare FSA



- Current tax laws allow you to set aside up to **\$5,000*** annually to pay for child daycare or adult dependent care. Reduced to \$2,500 if married and filing separately.
 - * COVID stimulation legislation has temporarily raised this limit to **\$10,500 (\$5,250 if married and file separately) in 2021.**
- Child must be age 12 or under **(temporarily raised to age 13 in 2021)**
- Daycare expenses must be work-related. Expenses must relate to care that enables you and your spouse to work. Both spouses must be employed.

A Dependent Care FSA may save you more in taxes than using the Child Care Tax Credit when you file your tax returns. But it depends on your income. If your family income exceeds \$24,000 and you are not in the 15% tax bracket, an FSA may generally benefit you more. But consult with your personal tax advisor.



Healthcare FSA

- Eligible expenses are **medical, dental and vision expenses** (incurred during the period of coverage) of the employee and eligible dependents which are **not reimbursed by insurance**. Expenses have to be your true out-of-pocket costs.
- If you enroll in the UA Health Savings (high deductible) medical plan, you are not eligible to enroll in a Healthcare FSA.
- Plan booklet and details are on the UA System benefits website, benefits.uasys.edu.
- Maximum contribution is **\$2,750/year**
Minimum contribution is **\$120/year**
- Unless your itemized medical expenses exceed 10% of your adjusted gross income, you cannot claim them on your IRS Form 1040. But you can save taxes by paying for these medical expenses by instead enrolling in a healthcare FSA.

FSA Eligible Healthcare Expenses

(partial list, visit our website for comprehensive list)

- Alcohol & drug rehab
- Chiropractor/physical therapy
- **Coinsurance & deductibles**
- **Copays**
- Dental visits (non-cosmetic)
- Fertility treatments
- Hospital services
- Ob/gyn
- Office visits
- Optometrist
- **Orthodontia/braces**
- Physical exams
- Psychiatrist
- Vaccines
- Vision – laser surgery
- X-rays
- **Most over-the-counter meds ONLY if you have a doctor's prescription ***
 - Antacids & acid reducers
 - Antihistamines, allergy meds
 - Aspirin & other pain relievers
- Over-the-counter health supplies
 - Condoms & contraceptive devices
 - Contact solution
 - First aid supplies

* Doctor's prescription may be waived for OTC meds during COVID-19 pandemic

Healthcare FSA Benefit Card

- If you enroll in a healthcare FSA, you automatically will receive a benefit card from UMR. Looks like a credit card but it's really a prepaid FSA debit card.
- You don't have to use the card. You may instead file manual reimbursement claims.
- What is nice about the card? Better cash flow, as you don't have to pay your copay or other eligible expense up front and then file a claim to be reimbursed. Payment is debited directly from your FSA. But **keep your receipts** – you may be required to send them in to fulfill IRS requirements.

Flexible Spending Accounts

- Your election to participate starts the first of the next month after you enroll, and is only good for the tax year. Your FSA automatically ends each December 31.
- Open enrollment is held annually in the fall for you to re-enroll for the next year
- Mid-year FSA changes and enrollments are very limited and allowed only within 1 month of a “qualified event.”
During COVID-19 pandemic, the IRS has relaxed this rule and current participants may change their election mid-year.
- **IMPORTANT: Use it or lose it.** Any funds left in your FSA at the end of the plan year (meaning money you put in but haven't spent yet) will be forfeited - except for up to \$550 in your healthcare FSA that you can rollover from 2021 into 2022. *During COVID-19 pandemic, the rollover amount from 2021 to 2022 may be higher.*



More on FSA's...

Once you enroll as a new employee, FSA's take effect the first day of the NEXT month, same as insurance.

You may use your FSA for expenses you incur on or after that date, and through end of the year (if you remain employed through Dec. 31)

Check out our website for forms and link to UMR's website where you can view your account.

FSA or HSA for healthcare expenses?

Flexible Spending Account

- Not tied to your medical plan although you cannot be enrolled in UA Health Savings Plan or any other high deductible plan
- \$2,750 limit
- Use it or lose it
- \$550 (or higher) rollover
- Debit card, account set up at UMR

Health Savings Account

- Only if you enroll in the Health Savings Plan (HSA must be paired with a qualified high deductible plan)
- \$3,600 single, \$7,200 family limit
- No use it or lose it
- Debit card, account set up at Optum Bank

Benefit Questions?



- Call Human Resources at (501) **686-5650**
- Visit the Office of Human Resources Monday-Friday, 7:30 - 4:30 located on 4th floor, wing C of Central Building
- Send an email to **AskHR@uams.edu**
- Visit our web site at **hr.uams.edu** or the UA System website at **uasys.edu**