



# Flexible Spending Accounts FY 2015-16

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Medical Reimbursement  
**FSA**  
Dependent Care

# Frequently Asked Questions



## What is a Flexible Spending Account?

A flexible spending account or arrangement (FSA) allows employees to be reimbursed for certain eligible expenses. The Village of Palmetto Bay offers FSA benefits for dependent care assistance and medical care reimbursements.

The benefits are subject to an annual maximum and also an annual “use-or-lose” rule. Interested employees must enroll annually during the open enrollment period.

## How are FSA’s funded?

FSA’s are usually funded through voluntary salary deduction agreements with your employer. No employment or federal income taxes are deducted from your contribution.

## When can I start to make contributions to my FSA account?

During the open enrollment period, you must designate how much you want to contribute for the entire year. The Village then divides that number by the total number of pay periods in the year (26) to establish your bi-weekly payroll deduction amount. This is done through a Salary Redirection Agreement, which is available to all employees on the Village’s shared drive.

## Can I change or revoke my election?

You can only change or revoke your election if there is a change in your employment or family status.

## What are the benefits of an FSA?

- \* No employment or federal income taxes are deducted from your contributions.
- \* Withdrawals are tax-free as long as the expense is eligible under IRS rules.
- \* You may withdraw funds from the account to pay for qualified medical expenses even if you have not yet placed the funds in the account.

The following table provides an example of the tax benefits associated with FSA accounts. The example is based on an annual salary of \$36K and represents \$100 additional take-home pay a month.

Can an FSA Account save me money?			
WITHOUT THE FSA		WITH THE FSA	
Gross Earnings	\$1,500	Gross Earnings	\$1,500
		Medical Expenses	-\$200
		Day Care Expenses	-\$200
Taxable Income	\$1,500	Taxable Income	\$1,100
Payroll Taxes*	-\$375	Payroll Taxes	-\$275
Net Income	\$1,125		\$825
Medical Expenses	-\$200		
Day Care Expenses	-\$200		
<b>TAKE HOME PAY</b>	<b>\$725</b>	<b>TAKE HOME PAY</b>	<b>\$825</b>

Expenses are deducted from gross earnings (before taxes)

*\*Payroll taxes calculated to assume a 25% payroll tax rate, which encompasses federal and state taxes, Social Security and Medicare.*

## Does a domestic partner and his or her child qualify to be covered under the health plan?

According to IRS rules, domestic partner and dependents may not be participants in a cafeteria plan because they are not employees, but the plan may nevertheless provide benefits to them. For example, a domestic partner may not be given the opportunity to select or purchase benefits offered by the plan, but the domestic partner may benefit from the employee's selection of family medical insurance coverage or of coverage under a dependent care assistance program.

## Frequently Asked Questions



## FSA Annual Limits

For Dependent Care Assistance, you may contribute up to \$5,000 each plan year. The limit is reduced to \$2,500 for married employees filing separate returns.

As of December 2012, the contribution amount for Medical Assistance FSA's is capped at \$2,550 for the plan year.

## Eligible Healthcare Expenses

The Internal Revenue Service (IRS) determines what medical, pharmacy, dental and vision expenses are eligible for payment or reimbursement from health care flexible spending accounts (FSAs).

Due to new mandates of the Affordable Care Act of 2010, As of January 1, 2011, the cost of over-the-counter medicine is no longer an eligible reimbursable medical expense under an FSA, unless the medication is prescribed by your doctor.



If you or someone in your family has a medical need to use over-the-counter medicine, then you must get a prescription from your doctor to be eligible for reimbursement.

Below is an alphabetical listing of the typical medical expenses that are eligible for reimbursement from an FSA account.

Please keep in mind that the IRS may modify the list of eligible medical expenses from time to time. For more information go to [www.irs.gov](http://www.irs.gov) & view Publication 502 - Eligible Medical and Dental Expenses.

### List of Eligible Healthcare Expenses

#### A

- Acupuncture
- Alcohol and drug dependency inpatient treatment



- Ambulance usage
- Anesthesia
- Artificial limbs

#### B

- Birth control pills
- Braces
- Braille books and magazines

#### C

- Chiropractic services
- Christian Science practitioner services
- Contact lenses and solution
- Crutches

#### D

- Dental expenses (exams, cleanings, X-rays, root canals bridges, etc)
- Dental Implants - **if medically necessary (non-cosmetic)**
- Dentures
- Dermatology services (other than cosmetic services)
- Diagnostic fees
- Doctor fees

Drugs - see **prescription medications**  
and **over-the-counter medicines**

## E

Eyeglasses, including examination fees

## G

Guide dogs

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## H

Hearing aids and batteries

Hospital fees

Hypnosis (for treatment of an illness)

## I

Insulin

In vitro fertilization

## L

Laboratory fees

Learning Disability- learning fees to special schools for a child with severe learning disabilities

Legal fees to authorize treatment for mental illness

## M

Maternity Expenses

Medications - see prescription medications

## N

Neurological services

Nursing home expenses for medical treatment, including meals and lodging

Nursing services

## O

Obstetric services

Ophthalmologic treatment

Optometry services

Organ transplants

Orthodontia, except care for cosmetic purposes

Orthopedic services

Orthopedic shoes

Osteopathic services

Over-the-counter medicines **if you have a valid prescription from a doctor or other health care provider)**

Over-the-counter supplies

Oxygen

## P

Pediatric services

Physiotherapeutic treatment

Podiatry services

Prescription medications

Psychiatric care

Psychological treatment

Psychotherapy

## S

Smoking-cessation programs

Special home or school for a mentally or physically handicapped person, mainly for treatment purposes if the reason for using the school is its resources for treating the disability

Speech therapy

Sterilization fees

Substance abuse treatment

Surgical fees

## T

Transportation necessary to receive medical treatment

Tuition fees you pay to a special school or tutoring fees, if recommended by your doctor, for special training for a child who has a severe disability which is caused by mental or physical impairments

## V

Vaccinations and immunizations

Vasectomy

Vision expenses

## W

Wheelchairs



This is a publication by the Village of  
Palmetto Bay Human Resources  
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Sources for this informational catalog  
include the US Internal Revenue Service  
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