



# Healthcare Flexible Spending Accounts

Make sense of healthcare.



**Using a Flexible Spending Account (FSA) is a great way to stretch your benefit dollars. You contribute before-tax dollars to your FSA to reimburse yourself for eligible out-of-pocket medical expenses. That means you can enjoy tax savings and increased take-home pay. And that makes real sense.**

An FSA is a tax-advantaged financial account that can be set up through your employer's cafeteria plan. An FSA allows you to designate a portion of your pre-tax earnings to pay for qualified expenses as established in the cafeteria plan, most commonly for qualified medical expenses, but also for dependent care. Your employer is also allowed to make contributions to your FSA, if desired, in order to offer a greater benefit to you. Since the money deducted from your paycheck for the FSA is not subject to Federal or state taxes, you can benefit from tax savings.<sup>1</sup>

## How a Healthcare FSA works:

- You determine an annual election amount to contribute to your FSA via payroll deduction, in equal installments, on a tax-free basis. Your employer may also choose to contribute to your FSA.
- You can pay for qualified expenses with your Health Benefits Debit Card directly to your medical provider, or pay out-of-pocket and submit a claim to HSA Bank for reimbursement.
- When submitting a claim, scan and upload your bill(s), Explanation of Benefits or prescription(s), and receipt(s) through HSA Bank's mobile app or your computer.
- Once your claim is approved based on eligibility and availability of funds, reimbursement will be sent to you.
- Check your balances and account information via HSA Bank's Member Website or mobile device 24/7.

## Are you eligible for a Healthcare FSA?

Healthcare FSAs are established by your employer; therefore self-employed persons are not eligible for an FSA. Because they are self-employed, sole proprietors, partners, directors of corporations 2-percent shareholders of S corporations are not eligible for an FSA. An FSA may be offered together with other employer-provided benefits as part of your employer's cafeteria plan. You do not have to be covered under any other healthcare plan to participate, but your employer must generally sponsor a group health plan for its eligible employees.

*Certain limitations may apply if you are a highly compensated participant or a key employee (IRS publication 969).*

## What are the annual IRS contribution limits?

The IRS sets limits each year for maximum contributions to an FSA. Visit [hsabank.com/irs-guidelines](https://hsabank.com/irs-guidelines) for the current limits.

The amount may be less if determined by your employer's plan design. The limit is indexed for inflation and may change from year to year.

Funds that are not spent by the end of the plan year are forfeited, unless your employer offers a grace period. Alternatively, if permitted under your employer's plan design, you may be able to carry over up to \$550 of unused funds.

## How can you benefit from tax savings?

An FSA provides tax savings to you in several ways:

- Contributions made by your employer will be excluded from your gross income for Federal and most state income tax purposes.<sup>1</sup>
- Withdrawals are tax-free when used for qualified medical expenses.
- Your annual FSA election deducted from your paycheck is not subject to Federal or most state taxes.<sup>1</sup>

## IRS-Qualified Medical Expenses

You can use your FSA to pay for a wide range of IRS-qualified medical expenses for yourself, your spouse, or tax dependents. Generally, an IRS-qualified medical expense pays for healthcare services, equipment, or medications as defined under Section 213(d) of the Internal Revenue Code. Funds used to pay for IRS-qualified medical expenses are always tax-free.

### Examples of IRS-Qualified Medical Expenses:<sup>2</sup>

|  |  |  |
|--|--|--|
| Acupuncture  | Gynecologist   | Psychologist   |
| Alcoholism treatment   | Hearing aids and batteries   | Smoking cessation programs   |
| Ambulance services   | Hospital bills   | Special education tutoring   |
| Annual physical examination  | Laboratory fees  | Surgery  |
| Artificial limb or prosthesis  | Lactation expenses   | Telephone or TV equipment to assist the hearing or vision impaired   |
| Birth control pills (by prescription)  | Lodging (away from home for outpatient care)   | Therapy or counseling  |
| Chiropractor   | Nursing home   | Medical transportation expenses  |
| Childbirth/delivery  | Nursing services   | Transplants  |
| Convalescent home (for medical treatment only)                                 | Obstetrician   | Vaccines   |
| Crutches   | Osteopath  | Vasectomy  |
| Doctor's fees  | Over-the-counter medicines (visit <a href="https://hsabank.com/QME">hsabank.com/QME</a> for details) | Vision care (including eyeglasses, contact lenses, lasik surgery)  |
| Dental treatments (including x-rays, braces, dentures, fillings, oral surgery) | Oxygen   | Weight loss programs (for a specific disease diagnosed by a physician – such as obesity, hypertension, or heart disease) |
| Dermatologist  | Pregnancy test kit   | Wheelchairs  |
| Diagnostic services  | Podiatrist   | X-rays   |
| Disabled dependent care  | Prescription drugs and medicines   |  |
| Drug addiction therapy   | Prenatal care & postnatal treatments   |  |
| Fertility enhancement (including in-vitro fertilization)                       | Psychiatrist   |  |
| Guide dog (or other service animal)  |  |  |

<sup>1</sup> State tax exemption may not be available in every state. HSA Bank does not provide tax advice. Consult your tax professional for tax-related questions.

<sup>2</sup> This list is not comprehensive. It is provided to you with the understanding that HSA Bank is not engaged in rendering tax advice. The information provided is not intended to be used to avoid Federal tax penalties. For more detailed information, please refer to IRS Publication 502 and the FSA chapter of IRS Publication 969. Publications are available at [irs.gov](https://irs.gov) or by calling 1-800-TAXFORM. If tax advice is required, you should seek the services of a professional.



Please call the number on the back of your HSA Bank debit card or visit us at [www.hsabank.com](https://www.hsabank.com)

