

# FSA GUIDE



**TAX SAVINGS FOR**

*Medical and Dependent Care Expenses*



 **BASIC**<sup>®</sup>  
cda.basiconline.com

# WHAT IS A

# FLEXIBLE SPENDING



Flexible Spending Accounts (FSA) are part of Section 125, established by the IRS. Section 125 allows employees to set aside money for future medical and child care costs on a pre-tax basis.

A Medical FSA can be used to cover:

- Insurance deductibles
- Co-payments and coinsurance
- Prescriptions
- Dental or vision expenses
- Over-the-counter medicine
- Menstrual products
- PPE (e.g., masks, hand sanitizer)

## SAVINGS

You save between 15%-40% by not having to pay federal, most state and local taxes, as well as Social Security and Medicare taxes for every dollar elected for an FSA.

The savings really add up.



Without an FSA		With an FSA	
Gross taxable wage	\$500.00	Gross taxable wage	\$500.00
Federal, FICA & State Tax	-113.25	Group Insurance premium contribution	-40.00
Group Insurance premium contribution	-40.00	Average weekly out-of-pocket medical expenses	-50.00
Take home pay	\$346.75	Taxable wage	\$410.00
Average weekly out-of-pocket medical expenses	-50.00	Federal, FICA & State Tax	-92.86
Amount left to spend	\$296.75	Amount left to spend	\$317.14
FSA Tax Savings per week			\$20.39

• Assuming 15% Federal tax, 7.65% FICA Tax (Social Security and Medicare)

# ACCOUNT?



## MEDICAL FSA



Below is an example of how a current participant calculated the amount they elected for medical FSA. Be sure to base YOUR estimate on known expenses.

The full amount of your medical election is available for reimbursement upon the first day of your plan year.

When you incur an eligible out-of-pocket expense, submit your itemized documentation to BASIC and receive a tax free reimbursement.

	Charges	Savings
Deductible	\$500	\$113
Co-pays	\$450	\$101
Prescriptions	\$480	\$108
Contacts/Vision services	\$220	\$49
Dental	\$100	\$22
Over-the-counter items	\$75	\$16
<b>Total</b>	<b>\$1825</b>	<b>\$409</b>

• Assuming 15% Federal tax, 7.65% FICA Tax (Social Security and Medicare)

IRS regulations govern the eligibility of claims which include those that are not fully covered by a health care plan and are prescribed by a physician or other licensed professional, primarily for preventing, treating or mitigating a physical defect or illness. The IRS does not allow reimbursement for the following: cosmetic surgery, insurance premiums, teeth bleaching / whitening, nutritional supplements/vitamins, marriage counseling, debt counseling, eyeglass sun clips and prepayment of services. For more details, refer to IRS Publication No. 502.

### CAN YOU HAVE AN FSA AND HSA AT THE SAME TIME?

If you participate in a standard Medical FSA, neither you nor your spouse (if applicable) are permitted to make or receive contributions to an HSA.

### LIMITED PURPOSE FSA

IRS regulations do, however, allow a Limited Purpose FSA to be utilized in conjunction with an HSA.\* The difference between Medical FSAs and Limited Purpose FSAs are the eligible expenses. A Limited Purpose FSA can only be used for dental and/or vision expenses.

During the FSA plan year, if you or your spouse enroll in a HDHP with an HSA option, you are not permitted to change your FSA plan type or make HSA contributions.

You cannot 'double-dip' and use funds from your Limited Purpose FSA and your HSA to cover the same expense(s).

An HSA does not impact your eligibility for a Dependent Care FSA.

\* Not all employers choose to participate in a Limited Purpose FSA. Please refer to your enrollment materials or talk to your HR department.

# QUALIFIED EXPENSES

IRS regulations govern the eligibility of items and claims. As a FSA Administrator, BASIC helps ensure that you and your employer stay within these regulations.

## **MEDICAL, DENTAL & VISION**

Co-pays  
Co-insurance  
Deductibles

## **MEDICAL\***

Acupuncture  
Chiropractor  
Podiatrist  
Doctor fees  
Office visit  
Prescriptions  
Hospital bills  
Laboratory fees  
Medic alert bracelet  
Dermatologist  
Immunizations  
Obstetrical expenses  
Routine physicals  
X-rays  
Well baby checkups

## **DIABETIC SUPPLIES\***

Insulin  
Glucometer  
Syringes/Needles  
Test Strips

## **HEARING\***

Hearing exam  
Hearing aids  
Special batteries

## **THERAPY\***

Physical therapy  
Learning disability  
Psychologist fees for medical care  
Psychiatric care

## **VISION\***

Glasses  
Eye exam  
Contact lenses  
Contact solution  
Prescription sunglasses  
LASIK surgery  
Visine and eye drops  
Reading glasses  
Eyeglass repair kits  
Orthokeratology  
Seeing eye dog (buying, training, and maintaining)

## **DENTAL\***

Orthodontic  
Dentures/bridge/crowns  
Fluoride treatments & seals  
Cleanings and fillings  
Root canals  
Extractions  
Dental x-rays  
Occlusal guards  
Reconstruction/implants

## **BIRTH CONTROL DEVICES\***

Condoms  
Prescriptions  
Sterilization

## **PHYSICAL IMPAIRMENTS\***

Wheelchair  
Crutches  
Walker  
Custom made orthopedic shoes and inserts

## **SPECIAL NEEDS\***

Transportation to and from doctor/hospital (call for current mileage rates and guidelines)

## **OVER-THE-COUNTER ITEMS\***

Acid controllers  
Acne medication  
Antibiotic products  
Anti-diarrheas/gas  
Anti-itch/insect bite  
Antiparasitic treatments  
Baby rash creams  
Band-aids  
Carpal tunnel wrist supports  
Cold sore remedies  
Cold/hot packs for injuries  
Cough, cold & flu  
Digestive aids  
Feminine anti-fungal/anti-itch  
Hemorrhoidal preps  
Home pregnancy tests  
Incontinence supplies  
Laxatives  
Liquid adhesive for small cuts  
Nasal strips  
Pain relief  
Sleep aids & sedatives  
Stomach remedies  
Stop smoking programs/items  
Sunscreen

## **MENSTRUAL PRODUCTS\***

Tampons  
Pads and liners  
Menstrual cups



Visit <https://www.basonline.com/wp-content/uploads/2011/08/CDA-Ops-13-Medical-FSA-Election-Worksheet.pdf> for a qualified expense worksheet to help you estimate your out of pocket costs.

## PERSONAL PROTECTIVE EQUIPMENT (PPE)\*

Personal protective equipment (PPE) for the primary purpose of preventing the spread of the Coronavirus Disease 2019 is now an eligible expense.

Masks  
Hand sanitizer  
Sanitizing wipes

### \* PLEASE NOTE:

This list is a broad overview of eligible expenses; not all services provided by a provider or practitioner are eligible under the IRS regulations.

Please call BASIC regarding your specific item or treatment, prior to election, to confirm eligibility.



## EXPENSES THAT REQUIRE A LETTER OF MEDICAL NECESSITY

The IRS allows reimbursement of the following, with a copy of the physician's statement of medical necessity, that includes the specific product/service and a diagnosis. Treatment cannot be for general health or well being. A copy needs to be submitted with every reimbursement request and a new letter needs to be reinstated every 12 months.

Health club fees/gym memberships  
Nutritional supplements/vitamins  
Massage therapy

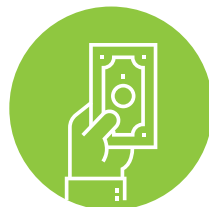
Weight loss programs (i.e. Weight Watchers and Jenny Craig) - Program fees are eligible but food portions are not.



## EXAMPLES OF INELIGIBLE EXPENSES

The IRS does not allow reimbursement for the following:

Cosmetic surgery  
Insurance premiums  
Marriage/debt counseling  
Eyeglass sun clips  
Eyeglass or contact warranty  
Prepayment of services  
Special (dietary) foods  
Personal care items  
Diapers  
Deodorant  
Chapstick  
Face cream or moisturizers  
Eye serums or wrinkle creams  
Teeth bleaching/whitening  
Toothbrushes/toothpaste  
Floss/flossing devices  
Mouthwash  
Protein shakes/meal replacement



## CALCULATE SAVINGS

Use our calculator to estimate the size of your tax saving, annually or per pay check, when you choose to participate in BASIC FSA!

<https://www.basiconline.com/fsasavingscalculator>



# DEPENDENT CARE FSA

A single parent or a married couple filing jointly can elect up to \$5,000 per family, while a married person filing separately can elect up to \$2,500 per person, but equal \$5,000 for the family. Just as with Medical FSA, you save between 15%-40% by not having to pay federal, most state and local taxes, as well as Social Security and Medicare taxes for every dollar elected for Dependent Care FSA.

Unlike a Medical FSA, Dependent Care FSA is a pay-as-you-go account. Funds are not advanced by your employer.

Without an FSA		With an FSA	
Gross taxable wage	\$500.00	Gross taxable wage	\$500.00
Federal, FICA & State Tax	-113.25	Dependent care election (\$5,000 divided by 52 weeks)	-96.15
Take home pay	\$386.75	Taxable wage	\$403.85
Average weekly out-of-pocket medical expenses	-96.15	Federal, FICA & State Tax	-91.47
Amount left to spend	\$290.60	Amount left to spend	\$312.36
FSA Tax Savings per week			\$21.78
Annual Savings			\$1,132.56

• Assuming 15% Federal tax, 7.65% FICA Tax (Social Security and Medicare)

## DEPENDENT ELIGIBILITY

- You and your spouse must be employed or actively seeking employment or attending school full time.
- Child must be a dependent under 13 years of age and be in your custodial care more than 50% of the calendar year. Once your child turns 13 during the plan year, expenses are no longer eligible for reimbursement.
- A spouse or dependent who is incapable of self-care and regularly spends at least eight hours per day in your home (i.e. an invalid parent).

## SERVICE REQUIREMENTS

- Provider may not be a minor child or dependent for income tax purposes (i.e. an older child).
- Service provider must claim payments as income and comply with state regulations.
- Services must be for the physical care of the child, not for education, meals, etc.
- Overnight camps are not eligible for reimbursement.
- Expenses paid for Pre-K are eligible but kindergarten and higher is not.



# ADDITIONAL DETAILS

## PLAN RULES ARE COMPANY SPECIFIC

While this booklet provides general information about a plan, a Summary Plan Description (SPD) containing further details is available. If you have specific questions regarding your particular situation, you may want to consult your company Benefits Coordinator, an attorney or accountant. Refer to the Summary Plan Description (SPD) to find out how long you have to submit remaining claims after your plan year or coverage has ended.

## CHANGES TO YOUR CONTRIBUTIONS

You may change your annual election if you have a qualified change in status (marriage, birth, adoption, death or divorce). The change in status must correlate with the event and be made within 30 days of the event. For example, if the event is a birth, you may increase your election, not decrease it.



## A New Way to Manage Benefits

Employee benefits are now easier to manage than ever before with BASIC's state-of-the-art Consumer Driven Accounts (CDA) system.

**BASIC's one-stop solution allows you to manage all your benefit plans on one card, one website, and one mobile app for the utmost convenience.**

### The BASIC Card & MyCash

When participants request a reimbursement, funds are immediately processed and placed in an unrestricted account called MyCash. Those funds are available on the BASIC card to use anywhere MasterCard is accepted. **No more delays!**

The BASIC Card is smart enough to pay for eligible items from benefit accounts and ineligible expenses (e.g., milk, gum, or other ancillary expenses) from a participant's MyCash account.

### The BASIC benefits Mobile App With Picture to Pay the Provider

In three quick steps, participants can pay their medical bills directly to healthcare providers with our "Picture to Pay" feature. Not to be confused with requesting a reimbursement, which is also a feature in the BASIC benefits app. **No paper, no postage, no hassle.**

1. Snap a picture of the bill (only if you have not paid the bill yet)
2. Submit via the BASIC benefits app
3. BASIC pays the bill from the appropriate benefit account

You can learn more about BASIC CDA at [www.basiconline.com/cda](http://www.basiconline.com/cda).

If you have questions at any time, call 800-372-3539 and speak to a BASIC FSA Customer Service Rep.