

FSA GUIDE



TAX SAVINGS FOR

Medical and Dependent Care Expenses



 **BASIC**[®]
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
Total	\$1825	\$409

• 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-Op-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

Plan contribution maximums vary between employers and range from \$5,000 to \$10,500. Check with your employer for your specific plan's specific contribution limit. 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 <i>(\$5,000 divided by 52 weeks)</i>	-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 14 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.

* Consolidated Appropriations Act, 2021: Employers can allow unused dependent care FSA amounts for children until they turn age 14, at least through the end of the 2021 plan year. Please check with your HR Department for confirmation that your plan allows adopted that provision.

If you qualify for the Child Care Credit, the same IRS rules apply. If you have 2 or more children and spend more than \$5,000 for child care, you may have additional tax credits available to you. For more details, refer to IRS Publication No. 503

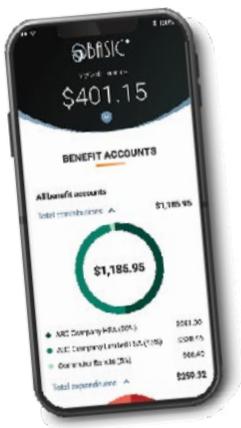
ADDITIONAL DETAILS

PLAN RULES ARE COMPANY SPECIFIC

While this booklet provides general information about Medical and Dependent Care FSA plans, recent legislation aimed at providing relief for plan participants means plan rules will vary significantly between employers. The Consolidated Appropriations Act (CAA), 2021 and the American Rescue Plan Act (ARPA) give employers significant flexibility in plan design for plans years ending in 2020/2021.

Optional relief provisions include increased DCFSA plan limits, unlimited carryover, extended grace period, unrestricted mid-year election changes and new enrollment, and increased dependent age limit from 13 to 14 for a child that turned 14 in 2020 or 2021.

For information regarding your plan specifics, contact your company's Benefits Coordinator.



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.

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



FSA Enrollment Form

PLEASE PRINT CLEARLY TO ENSURE ACCURATE ENROLLMENT AND FUTURE COMMUNICATION.

Employer Name: _____

Participant Name: _____ Social Security #: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone Number: _____ Birthdate: _____

E-mail Address: _____

Pay Period:

- Weekly Semi-Monthly (twice a month)
- Bi-Weekly (every other week) Monthly

EMPLOYER USE

Please complete for mid-year enrollments

Date of first deduction: _____ Eligibility date: _____

PREMIUM CONTRIBUTIONS

- I elect to participate (check all that apply)
- Health Insurance Group Life Insurance Disability Insurance Dental Insurance
- HSA Contributions Vision Insurance Other(s) _____
The amount of salary reduction needed to pay premiums under the insured portions of the Plan will be determined by my employer.
- I elect NOT to participate

MEDICAL REIMBURSEMENT ACCOUNT

- I elect to participate \$ _____ annually (may not exceed employer limit of \$ _____)
Annual election will be divided by the number of pay periods in the plan year or the remaining number of pays for mid-year enrollments
- This Medical Reimbursement Account is a Limited Purpose Account for HSA eligibility (dental/vision only, if offered by your employer)
- I elect NOT to participate

DEPENDENT CARE ACCOUNT

- I elect to participate \$ _____ annually
Annual election will be divided by the number of pay periods in the plan year or the remaining number of pays for mid-year enrollments
- I elect NOT to participate

I request that my periodic paychecks for the plan year be reduced on a pro rata pre-tax basis by the sum of my medical reimbursement, dependent care and premium contributions to the plan, with such amount to be allocated among the benefits I selected above. I understand this election form cannot be revoked or changed during the plan year unless there is a qualified change in status as defined in the Summary Plan Description (SPD). I certify that I will only claim reimbursement for eligible expenses for myself and/or qualified dependents as defined in the SPD. I further certify that these expenses will not be reimbursed under any other benefit plan. I understand any unused dollars remaining in my account(s) at the end of the plan year may be forfeited. I have examined this agreement and to the best of my knowledge, it is true, correct and complete.

Employee Signature _____ Date _____