



FSA Frequently Asked Questions

This Summary Plan Description answers basic questions about flexible spending accounts.

What is a flexible spending account? A flexible spending account (FSA) is a pre-tax account set up by an employer to reimburse employees for certain expenses. The employer must establish a Code Section 125 “cafeteria” plan before offering FSA accounts to employees.

What are the main types of FSAs? There are two main types of FSAs:

- Health FSAs reimburse employees for qualified medical expenses.
- Dependent Care FSAs reimburse employees’ qualified day-care costs for qualified dependent children or disabled adults.

Who funds FSA accounts? FSA accounts can be funded by an employer, by employees, or by both.

How does an employer fund FSA accounts? An employer funds FSA accounts by making “nonelective employer contributions.” The amounts contributed by an employer can only be used to reimburse employees for qualified FSA expenses and has an annual limit of \$500 plus additional contributions on a matching basis until the maximum annual limit is reached.

How do employees fund FSA accounts? Employees fund FSA accounts by redirecting a portion of their salary to the FSA on a pre-tax basis. The money that employees contribute to the FSA is not subject to state or federal income taxes or to employment taxes.

Can employees save money by using an FSA? Yes. Employees who redirect a portion of their salary to an FSA can save money because they don’t pay income or employment taxes on the portion of their salary used for qualified medical or dependent care expenses.

How do employees enroll in an FSA? Employees enroll in a Health and/or Dependent Care FSA by completing an FSA Enrollment Form. The form specifies whether the FSA will be funded by the employer, the employee, or both. The form also specifies how much money will be contributed to the FSA during the course of a year. This contribution is called an Annual Election. For example, if the employer or employee contributes \$100 a month to an FSA, the Annual Election will be \$1,200.

How much can be contributed to a Health FSA? The maximum amount that can be contributed to a Health FSA is up to \$3,300 per calendar year (as determined by the employer) for 2025.

How much can be contributed to a Dependent Care FSA? The maximum amount that can be contributed to a Dependent Care FSA is generally \$5,000 per year (or \$2,500 if the employee is married and files a separate federal income tax return).

How much has to be contributed to an FSA before employees can be reimbursed for qualified expenses?

Health and Dependent Care FSAs have different reimbursement schedules. Health FSAs are prefunded and employees can access the entire FSA amount as soon as the Annual Election has been determined and the election year has started. With Dependent Care FSAs, employees can only access funds that have already been contributed to the FSA by the employee’s payroll deductions.

How do employees get reimbursed for qualified medical or dependent care expenses?

The reimbursement method is determined by the employer. For example, an employee may be issued a debit card that can be used by the subscriber at the time of service. Another method is for the employee to submit a Reimbursement Form to the employer or third party administrator, along with proper documentation, such as an Explanation of Benefits from the company health plan or an itemized receipt from a dependent care provider.

What expenses does a Health FSA reimburse? Expenses reimbursed by a Health FSA are determined by the employer. The specific types of reimbursements allowed by the employer are listed in the employee’s Summary of Benefits and in the employer’s FSA plan document. In general, a Health FSA reimburses employees for medical expenses not covered by their company health plan, such as deductibles and coinsurance. On the other hand, a Health FSA cannot be used to reimburse employees for health plan premiums.