### BRIGHTON FIRE



### Summary

A **Health Flexible Spending Account** (FSA) allows individuals to use pre-tax dollars to pay for medical expenses not covered by insurance. A **Dependent Care FSA** (DCFSA) allows individuals to use pre-tax dollars for daycare or dependent care expenses.

The Dependent Care FSA (DCFSA) cannot be used to pay for medical expenses. Individuals elect to contribute a portion of their paychecks pre-tax to a Health FSA or Dependent Care FSA and then can use those funds for eligible expenses.

#### Health (medical) FSA

The IRS maximum for 2025 is \$3,300. Employers may set a lower limit. Participants may claim and be paid out their entire annual election at any time. Every expense must be substantiated. Participants must be able to provide receipts, statements bills for all expenses if substantiation is requested. Documents must include the date, amount, and description of the expense or service. Only eligible expensed can be reimbursed. Medical expensed are defined by IRS rules.

Expenses and services for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body. See IRS Publication 502. All overthe-counter drugs are eligible along with all menstrual care products. Only "out-of-pocket" medical expenses are eligible.

Medical expenses covered insurance or any other plan or program are not eligible for Expenses reimbursement. personal use or cosmetic surgery are not eligible for reimbursement. See IRS Publication 502. Medical expenses reimbursed under the health (medical) FSA may not be used to claim a federal income tax deduction.

## Health FSA & Dependent Care FSA

Contributions are subject to the IRS "use-it- or-lose-it" rule. However, for the health FSA, the employer may adopt a provision allowing up to a \$660 (2025) carry over of unclaimed monies. Unclaimed monies not carried over are forfeited at the end of the plan year.

Elections cannot be changed during the plan year, unless the participant has a change of status. IRS Regulations define a change of status.

Expenses must be incurred by a participant, spouse or eligible dependents during the current plan year and while participating. Expenses are incurred when the medical care is provided and not when the expense is billed, the bill is due or when the bill is paid. Every employer sets the deadline when documentation must be submitted after the end of the plan year. It is usually 60 or 90 days after the end of the plan year.

# Limited Purpose (dental & vision) FSA

- Employees contributing to a HSA may only participate in a "limited" health FSA not a "general" health FSA. A limited health FSA can only be used to pay for "out of pocket" dental and vision expenses.
- Please note when using the debit card for the Limited Purpose FSA it must be at a dental or vision facility that their MCC code is registered as a dental or vision facility. Otherwise it may pull from your HSA.

#### **Dependent Care FSA**

- Participants may only be paid what they have contributed at any point in time.
- Participants must be ready to provide receipts for dependent care expenses.
- Dependent care expenses reimbursed by the dependent care FSA may not be used to claim the day care credit.