THE BOARD OF PENSIONS
OF THE PRESBYTERIAN CHURCH (U.S.A.)

Healthcare Flexible Spending Account (FSA)

The Board of Pensions administers the Benefits Plan of the Presbyterian Church (U.S.A.), offering retirement, healthcare, death, and disability benefits to qualifying members. The Board also provides financial and vocational grants through the Assistance Program.

Summary

A healthcare flexible spending account (FSA) is a tax-advantaged employer-sponsored benefit that allows employees to set aside pretax dollars to pay for qualified healthcare expenses. Contributions are not subject to federal taxes as long as the funds are used to pay for qualified expenses allowed by the IRS. Unused funds are lost at the end of the plan year, so it is important for employees to estimate expenses carefully each year they enroll in an FSA.

A healthcare FSA is separate and different from a dependent care FSA, which may be used to pay for qualified daycare, child care, and elder care expenses. For more information, refer to Dependent Care Flexible Spending Account (FSA) (PTS-666).

Eligibility

The employer sets eligibility requirements, by benefit group and within IRS guidelines, for employees who can participate in an FSA. A self-employed individual is not considered an employee for FSA purposes, and therefore is not eligible to participate. A minister of the Word and Sacrament employed by a congregation is an employee for federal income tax purposes even though he or she is considered self-employed for Social Security purposes (paying SECA instead of FICA). Employed ministers are eligible to participate in FSAs.

Contributions

Eligible employees may make healthcare FSA contributions through pretax payroll deductions, up to annual limits set by the IRS. The annual contribution limit for 2019 is $2,700; this limit applies to each employee regardless of whether he or she also has family members who benefit from the funds in that FSA. FSA enrollments do not automatically renew each year; employees must enroll annually to participate.

Contributions are exempt from federal income and FICA (Social Security and Medicare) taxes. FSA contributions are also exempt from SECA taxes for ministers.

The full amount of any elected healthcare FSA contribution is available on the first day of the plan year. Employees do not have to wait for payroll contributions to accumulate before paying expenses with a healthcare FSA.

Tax advantages

Healthcare FSAs are considered *tax-advantaged* because contributions are made on a pretax basis, lowering the amount of taxable income in the current tax year, and distributions for qualified expenses are tax-free.

Qualified expenses

Funds from the healthcare FSA may be used to pay for qualified medical, dental, and vision expenses that are not covered or reimbursed by any healthcare plan. Examples include, deductibles, copayments, and copay amounts for doctors office visits and prescription drugs, as well as other expenses that are not covered or reimbursed by any healthcare plan, such as glasses, contact lens solution, and laser vision surgery. Qualified expenses may be incurred by the employee, his or her spouse, and eligible children. Participants may also use FSA funds to reimburse expenses for copayments, deductibles, or coinsurance paid under a spouse's health plan. Eligible healthcare expenses are outlined in IRS Publication 502.

How it works

Here's how a healthcare FSA works:

- The employee estimates qualified healthcare expenses for the upcoming year.
- Next, the employee decides the annual amount to defer from salary — how much to have set aside from each paycheck — to go into the FSA to pay for qualified expenses for the coming year (this amount is called the *election*).
- The money elected for the FSA will be automatically deducted from the employee's paycheck on a pretax basis and credited to the FSA over the course of the year.
- When an employee incurs a qualified expense, he or she can either pay with a healthcare Visa debit card or submit the expense through the Further secure member portal for reimbursement. It is a good idea to save all receipts for reimbursements and to validate expenses.
- The employee can be reimbursed even if the FSA balance is not enough to cover the claim (up to the annual election amount).

Important! The IRS has a *use or lose* rule for FSAs. Under this rule, employees risk losing unused money still in the healthcare FSA at the end of the plan year. This risk is lessened by a $500 rollover feature. Because of this, it is important for employees to estimate expenses carefully each year they enroll in an FSA.

Other information

Under current plan rules, employers must offer medical coverage through a qualified healthcare plan if they offer a healthcare FSA. The FSA available through the Benefits Plan may be offered with the PPO or EPO Medical Plan options only — not with the HDHP option — and if the employer offers a non-Board, qualified healthcare plan that is not a high deductible health plan.

Under current IRS regulations, individuals may not contribute to both an HSA and a healthcare FSA unless the FSA is a limited scope FSA. The healthcare FSA offered through the Board is not a limited scope FSA.

Enrollment

Employees must actively elect to participate in a healthcare FSA. Those who wish to elect a healthcare FSA and are otherwise eligible (see Eligibility) may set up a healthcare FSA with Further, a leading FSA administrator.

FSA fees

Employers will be charged $3.90 per employee per month for each employee who establishes a healthcare and/or dependent care FSA. Only one fee will be charged per employee, whether the employee has one type of FSA or both. Further will bill each employer directly for this monthly fee. There are no set-up or other annual fees for these accounts.

For more information

Employers with FSA-related questions, should call Further Employer Support at 855-363-2583 between 8 a.m. and 5 p.m. CT, Monday through Friday, or email sales.support@hellofurther.com. For other questions, call the Board at 800-773-7752 (800-PRESPLAN).

This is not a full description of benefits and limitations of the plan. If there is any difference between the information presented here and the provisions of the Benefits Plan of the Presbyterian Church (U.S.A.), the plan terms will govern. Visit pensions.org or call the Board at 800-773-7752 (800-PRESPLAN) for a copy of the plan document.

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