A healthcare flexible spending account (FSA) is an account where you set aside funds, through pretax pay deductions, for certain medical, dental, vision, and healthcare expenses not paid by any health plan.

HOW IT WORKS

FSAs are considered tax advantaged because, under IRS rules, you don’t pay taxes on your contributions. The IRS determines the expenses that are allowed to be paid through your FSA (see Qualified Expenses).

In addition to a healthcare FSA, your employer also may offer a dependent care FSA — which is separate and different — and is described in Dependent Care Flexible Spending Account (FSA). Enrollment in FSAs is optional.

Here’s how a healthcare FSA works:

1. You estimate healthcare expenses for the upcoming year (see Qualified Expenses).
2. You decide how much to set aside from each paycheck to pay for estimated expenses from step 1 (this amount is called your election).
3. Your employer deducts your elected amount from your pay on a pretax basis, and the full amount of your annual election is available to you at the beginning of the year.
4. During the year, each time you have a qualified expense, you can either pay it with the Visa healthcare debit card (issued by Further, the FSA administrator), or submit the expense through the Further secure member portal for reimbursement. Save all your receipts.

Important! The IRS has a use or lose rule for FSAs. This means that, at year end, you risk losing unused FSA funds. The Board of Pensions FSA has a $500 rollover feature that lessens this risk by letting you carry forward to the next year up to $500 left in your account at year end. Because of the use or lose rule, it is important to estimate expenses carefully each year you enroll in an FSA.

Contributions

You may contribute up to annual limits set by the IRS. Your employer may also, but is not required to, contribute. The annual contribution limit for 2020 is $2,750.* This limit applies whether or not you have additional family members who benefit from the FSA funds.

You do not pay federal income and FICA (Social Security and Medicare) taxes on FSA contributions. You also do not pay SECA taxes on these contributions if you receive a W-2 statement. If you receive 1099 forms rather than W-2 statements, you may not participate in an FSA. State income taxes do not apply to FSA contributions except in New Jersey.

The amount you elect to contribute for the year is prorated and deducted in equal amounts each pay period. The entire amount you elected to contribute for the year is available on

• the first day of the plan year if you enroll during annual enrollment; or
• the first day of your participation if you enroll as a newly eligible employee.

Under current IRS rules, if you are covered by a healthcare FSA, you generally can’t contribute to an HSA as well, unless the FSA is a limited scope FSA. The healthcare FSA available to you typically will not be a limited scope FSA.

Qualified expenses

You may use funds from the healthcare FSA to pay for qualified medical, dental, and vision expenses not covered or reimbursed by any health plan. Examples include

- deductibles, copayments, and copay amounts for doctors’ office visits and prescription drugs;
- other expenses not covered or reimbursed by any healthcare plan, such as charges for glasses, contact lens solution, and laser vision surgery; and
- over-the-counter (OTC) drugs previously only eligible for reimbursement with a prescription, as well as feminine hygiene products. Examples include cold, cough, flu, allergy, and sinus medicines; pain relievers; digestive aids and laxatives; and baby rash ointments and creams.

* up from $2,700 in 2019
Qualified expenses may be incurred by you, your spouse, any dependents you claim on your federal tax return, or your children under age 27 at the end of the tax year. You may also use FSA funds to reimburse expenses for copayments, deductibles, or coinsurance paid under your spouse’s health plan. Eligible healthcare expenses are outlined on the Further site at learn.hellofurther.com or in IRS Publication 502 at irs.gov.

**Enrollment**

You may elect a healthcare FSA when you are first eligible and during annual enrollment in the fall. Elections do not automatically renew; you must enroll each year. Mid-year changes to your elections typically are not allowed unless you have a qualifying life event, such as a marriage or birth of a child.

Keep in mind that under current IRS rules, if you are covered by a healthcare FSA, you generally can’t contribute to an HSA, unless the FSA is a limited scope FSA. The healthcare FSA available to you typically will not be a limited scope FSA.

Your employer will tell you how to make your elections and will work directly with Further, the FSA administrator, to set up your contributions through payroll deductions. Once enrolled, you will receive a welcome packet from Further with additional information.

**LEARN MORE**

For more information about flexible spending accounts, visit pensions.org/benefitsguidance, or visit learn.hellofurther.com. If you have questions, call Further at 800-859-2144 or the Board at 800-773-7752 (800-PRESPLAN).

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**Save money**

A healthcare FSA can help you save on taxes.

**Convenient debit card**

The Further debit card lets you pay eligible expenses when you need to, without filling out forms.

**Signing up**

Your employer will explain how to enroll.

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.