

FSA GUIDE



TAX SAVINGS FOR
MEDICAL AND DEPENDENT CARE EXPENSES



 **BASIC**[®]
www.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
- Copays and coinsurance
- Prescriptions
- Dental and vision expenses
- OTC items
- Menstrual products
- PPE

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 FSA 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)



CAN YOU HAVE AN FSA AND HSA AT THE SAME TIME?

If you participate in a Medical FSA, neither you nor your spouse are permitted to make or receive contributions to an HSA.

If you or your spouse change to an HDHP (with HSA) during your FSA plan year and you are enrolled in a standard Medical FSA, you are not allowed to make or receive HSA contributions or change your FSA plan type.

LIMITED PURPOSE FSA

However, you can enroll in a Limited Purpose FSA (LPFSA). An LPFSA works just like a Medical FSA. You designate a certain amount of money to be taken out of each paycheck to be deposited into your LPFSA.

An LPFSA can only be used for dental and vision expenses.

You cannot use funds from both your LPFSA and your HSA to cover the same eligible expense, even if the expense is considered eligible under both plans.

Having an HSA does not affect your eligibility for a Dependent Care FSA.



To estimate your potential tax savings when you enroll in a BASIC FSA, visit www.basiconline.com/fsa-calculator

QUALIFIED EXPENSES

The IRS regulates qualified expenses eligible for reimbursement from an FSA, 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.

This list is a broad overview of eligible expenses; for more details, refer to IRS Publication 502.



MEDICAL, DENTAL & VISION

- Coinsurance
- Copays
- Deductibles

MEDICAL

- Acupuncture
- Chiropractic care
- Hospital bills
- Immunizations
- Laboratory fees
- Medical ID bracelets
- Mileage to and from treatment
- Obstetric expenses
- Office visits
- Prescriptions
- Routine physicals
- Specialist fees (podiatrist, dermatologist, etc.)
- Well-baby checkups
- X-rays

DIABETIC SUPPLIES

- Insulin
- Glucometers
- Syringes/needles
- Test strips

HEARING

- Hearing aids and batteries
- Hearing exams

THERAPY

- Physical therapy
- Psychiatric care (as medical treatment)

VISION

- Contact lenses and contact lens solution
- Eye exams
- Eyeglasses repair kits
- Glasses
- Prescription sunglasses
- LASIK surgery
- Orthokeratology
- Reading glasses
- Seeing-eye dog (buying, training, and maintaining)
- Visine® and eye drops

DENTAL

- Cleanings and fillings
- Dental X-rays
- Dentures/bridges/crowns
- Extractions
- Fluoride treatment & sealants
- Occlusal guards
- Orthodontia
- Reconstruction/implants
- Root canals

BIRTH CONTROL DEVICES

- Condoms
- Contraceptive devices
- Sterilization

PHYSICAL IMPAIRMENTS

- Crutches
- Orthopedic inserts
- Walker
- Wheelchair or Autoette

OVER-THE-COUNTER ITEMS

- Acid controllers
- Acne medication
- Anti-diarrheals/anti-gas
- Anti-itch/insect bite
- Antibiotic products
- Antiparasitic treatments
- Baby rash creams
- Bandages
- Carpal tunnel wrist supports
- Cold sore remedies
- Cough, cold & flu
- Digestive aids
- Feminine anti-fungal/anti-itch
- Hemorrhoid creams
- Home pregnancy tests
- Hot/cold packs for injuries
- Incontinence supplies
- Laxatives
- Liquid adhesives for first aid
- Nasal strips
- Pain relievers
- Sleep aids & sedatives
- Smoking cessation programs/items
- Stomach remedies
- Sunscreen (SPF 15+)





MENSTRUAL PRODUCTS

- Menstrual cups
- Pads and liners
- Tampons

PERSONAL PROTECTIVE EQUIPMENT (PPE)

For preventing the spread of COVID-19.

- Hand sanitizer
- Masks
- Sanitizing wipes



EXPENSES THAT REQUIRE A LETTER OF MEDICAL NECESSITY

The IRS allows reimbursement of the following with a copy of a *Letter of Medical Necessity* or physician's statement that includes the specific product or 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 provided every 12 months.

- Counseling or therapy
- Exercise classes/health club dues/gym memberships
- Nutritional supplements/vitamins
- Massage therapy
- Varicose vein treatment
- Veneers
- Weight loss programs (program fees only; food portions are ineligible)



EXAMPLES OF INELIGIBLE EXPENSES

The IRS does **not** allow reimbursement for the following:

- ChapStick®
- Cosmetic surgery
- Deodorant
- Diapers
- Eye serums or wrinkle creams
- Eyeglasses sun clips
- Eyeglasses or contact lens warranties
- Facial cream or moisturizers
- Floss/flossing devices
- Insurance premiums
- Marriage or debt counseling
- Mouthwash
- Personal care items
- Prepayment of services
- Protein shakes/meal replacement
- Special (dietary) foods
- Teeth bleaching/whitening
- Toothbrushes/toothpaste

TIPS



IRS regulations govern the eligibility of items and claims. As an FSA administrator, BASIC helps ensure that you and your employer stay within these regulations.

Call BASIC regarding your specific treatment prior to election to confirm eligibility.



DEPENDENT CARE FSA



A single parent or a married couple filing jointly can elect up to \$7,500 per family beginning in 2026, while a married person filing separately can elect up to \$3,750 individually. Just as with Medical FSA, you save between 15%-40% by not having to pay federal, most state and local taxes, or Social Security or Medicare taxes for every dollar you elect for a 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			\$1132.56

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 13 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 (e.g., an invalid parent).

SERVICE REQUIREMENTS

- Provider may not be a minor child or dependent for income tax purposes (e.g., 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.

If you qualify for the Child Care Credit, the same IRS rules apply. If you have two 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 503.

ADDITIONAL DETAILS

PLAN RULES ARE COMPANY SPECIFIC

While this booklet provides general information about a plan, a Summary Plan Description (SPD) containing further details is available. If you have specific questions regarding your particular situation, you may want to consult your company benefits department, an attorney or accountant.

Refer to the Summary Plan Description (SPD) to find out how long you have to submit remaining claims after your plan year or coverage has ended.

CHANGES TO YOUR CONTRIBUTIONS

You may change your annual election if you have a qualified change in status (marriage, birth, adoption, death or divorce). The change in status must correlate with the event and be made within 30 days of the event. For example, if the event is a birth, you may increase your election, not decrease it.

END OF YEAR BALANCE

According to the IRS, money left in your account may become the property of your employer and cannot be returned to you. Please see the Summary Plan Description (SPD) for further details. Most people use all their funds by good planning, such as getting a physical, dental checkup or new glasses. Rarely is there ever more than 5% left in the account, and the tax savings more than outweigh this amount.

ELIGIBILITY

FSA benefits end upon termination of employment and/or participation. Services must be rendered during your current period of coverage. For new employees entering the plan during the plan year, services must be rendered after your eligibility or election date, whichever is later.



BASIC CARD®

ELIMINATE PAYING OUT-OF-POCKET AND WAITING FOR REIMBURSEMENT.

The BASIC Card can be used at qualified locations including hospitals, physician and dental offices, pharmacies and merchants with IIAS certification.

At BASIC, we have an 87% auto-verification rate for debit card purchases. Because the IRS regulates eligible expenses, there may be some instances when participants will be required to submit itemized documentation for their BASIC Card purchases.

Cards will be suspended if documentation is not provided.

Card availability is determined by your employer. Please check with your benefits department to find out if the BASIC Card is available.

MYCASH

If you pay out of pocket without your BASIC Card, request a reimbursement and your benefit account funds are placed in an unrestricted account called MyCash. Those funds are available to use with your BASIC Card anywhere MasterCard is accepted. No more delays!



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

CONTACT US

Web www.basiconline.com/cda
Phone **800.372.3539**

Please note that the employees of BASIC are very familiar with the design, administration, and operation of employee benefit plans and the applicable law governing those activities. However, BASIC is not a law firm and our recommendations should not be construed as, nor are they intended to be, legal advice. Any advice expressed in this document is being provided to you solely for your use in connection with the matters specifically addressed herein and may not be used for any other purpose. The information contained in this document is not intended by BASIC to be used, and cannot be used, for avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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