



# Flexible Spending Arrangements (FSAs)

The chart below describes the otherwise applicable general rules for health and dependent care FSAs.

	Health FSA	Dependent Care FSA
<b>What is it?</b>	Tax-advantaged employer plan that reimburses employee medical expenses.	Tax-advantaged employer plan that reimburses employees for dependent care expenses.
<b>What are some advantages to it?</b>	<ul style="list-style-type: none"> <li>• No federal income tax or employment tax on contributions.</li> <li>• Tax-free distributions for qualified medical expenses.</li> <li>• Employee can draw on the account for medical expenses before funds are placed in it.</li> </ul>	<ul style="list-style-type: none"> <li>• No federal income tax or employment tax on contributions.</li> <li>• Tax-free distributions for qualified dependent care expenses.</li> </ul>
<b>What expenses can it be used to pay?</b>	Expenses <b>specified by the plan</b> that generally qualify for the <u>medical and dental expenses deduction</u> , but not traditional health insurance premiums.	Expenses that generally qualified for the <u>child and dependent care expenses deduction</u> , including nursery school and preschool expenses.
<b>Which employees can have it?</b>	Those enrolled in non-FSA group medical coverage and eligible under the rules of the plan, subject to the Section 105(h) and 125 nondiscrimination rules.	Generally all employees, subject to the <u>Section 129 nondiscrimination rules</u> .
<b>Who can contribute to it?</b>	Employers and employees.	Employers and employees.
<b>How much can be contributed to it?</b>	For plan years beginning in 2024, employees may contribute up to \$3,200 (\$3,050 for plan years beginning in 2023).	Generally up to: <ul style="list-style-type: none"> <li>• \$5,000 for individuals or married people filing taxes jointly; or</li> <li>• \$2,500 for married people filing taxes separately.</li> </ul>

	Health FSA	Dependent Care FSA
<b>Can employees carry over funds from year to year?</b>	<p>Generally no, but employers may:</p> <ul style="list-style-type: none"> <li>• Allow employees to carry over up to \$640 in unused funds for plan years beginning in 2024 (\$610 for 2023 plan years) to use in the following plan year; or</li> <li>• Provide a “grace period” of 2.5 months after the end of the plan year for employees to use the money in the account.</li> </ul>	Generally, no.
<b>Is it portable for the employee?</b>	No.	No.
<b>What requirements must an employer satisfy?</b>	<ul style="list-style-type: none"> <li>• Have a written Plan Document.</li> <li>• Distribute a Summary Plan Description (SPD) within 90 days of the employee becoming a plan participant.</li> <li>• Offer the health FSA as part of a cafeteria plan.</li> <li>• Offer employees traditional group health insurance.</li> <li>• If making contributions, meet the Section 105(h) and 125 non-discrimination rules.</li> <li>• Comply with the rules on mid year election changes.</li> <li>• Set the maximum benefit amount for each employee so that it does not exceed: <ul style="list-style-type: none"> <li>- Two times the employee’s health FSA salary reduction election for the year; or</li> <li>- If greater, \$500 plus the amount of the employee’s health FSA salary reduction election for the year.</li> </ul> </li> <li>• Annually file <a href="#">IRS Form 720</a> and pay <a href="#">PCORI fees</a> by July 31, <a href="#">if applicable</a>.</li> </ul>	<ul style="list-style-type: none"> <li>• Have a written Plan Document.</li> <li>• Notify eligible employees about the plan and communicate its rules regarding eligible expenses.</li> <li>• Comply with the <a href="#">Section 129 nondiscrimination rules</a>.</li> <li>• If offered as part of a cafeteria plan, comply with the <a href="#">rules on mid-year election changes</a>.</li> <li>• Annually report the amount of dependent care benefits an employee receives in <b>box 10 of Form W-2</b>.</li> </ul>
<b>Who can contribute to it?</b>	No.	No.

	Health FSA	Dependent Care FSA
<b>Can employees carry over funds from year to year?</b>	Yes, but may be provided on a <u>limited basis</u> .	No.
<b>Is it portable for the employee?</b>	<ul style="list-style-type: none"> <li>• <a href="#">IRS Publication 502</a></li> <li>• <a href="#">IRS Publication 969</a></li> <li>• <a href="#">DOL Guidance</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">IRS Code Section 129</a></li> <li>• <a href="#">IRS Publication 503</a></li> </ul>