



Flexible Spending Arrangements (FSAs)

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

	Health FSA	Dependent Care FSA
What is it?	Tax-advantaged employer plan that reimburses employee medical expenses.	Tax-advantaged employer plan that reimburses employees for dependent care expenses.
What are some advantages to it?	<ul style="list-style-type: none"> • No federal income tax or employment tax on contributions. • Tax-free distributions for qualified medical expenses. • Employee can draw on the account for medical expenses before funds are placed in it. 	<ul style="list-style-type: none"> • No federal income tax or employment tax on contributions. • Tax-free distributions for qualified dependent care expenses.
What expenses can it be used to pay?	Expenses specified by the plan 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.
Which employees can have it?	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> .
Who can contribute to it?	Employers and employees.	Employers and employees.
How much can be contributed to it?	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"> • \$5,000 for individuals or married people filing taxes jointly; or • \$2,500 for married people filing taxes separately.

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

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