

## Flexible Spending Account Guidelines

NYPA's flexible spending account (FSA) plan allows you to set aside pre-tax dollars from your salary to pay for certain out-of-pocket health and dependent care expenses. You may contribute to a health care FSA, a dependent care FSA, or both. Using pre-tax dollars to cover these costs lowers your Social Security, federal, and, in some cases, state and local taxes. FSA benefits are reimbursed by UnitedHealthcare.

Your participation in either or both FSA accounts is voluntary. Enrollment is not automatic – you must re-enroll each year during the annual open enrollment period.

Money set aside for health care expenses cannot be used to pay for dependent care expenses, or vice versa. So, estimate the amount you want to direct to your flexible spending account(s) carefully.

### Your FSA Contribution

Each year, you decide how much to set aside from your pay to cover your estimated out-of-pocket health and dependent care expenses for the year. Your total health care and/or dependent care account election amount(s) is deducted from your paycheck on a pre-tax basis in equal amounts throughout the year.

The availability of your election amount differs for a health care account and a dependent care account. With a health care FSA, your election amount is available on the first day of the plan year. However, your dependent care FSA funds are only available as the money is deducted from your paycheck.

### Health Care Reimbursement Account

You can use the health care reimbursement account to pay medically necessary out-of-pocket health care expenses for you and your eligible dependents that have not been reimbursed by any other health plan or another flexible spending account. The expenses must be incurred during the plan year or during your period of coverage if you enroll after the plan year begins.

You can generally include medical expenses for yourself, as well as those expenses you pay for someone who was your spouse or your dependent either when the services were provided or when you paid for them. There are different rules for decedents and for individuals who are the subject of multiple support agreements. A list of these dependents can be found in the [IRS publication 502](#).

### Covered Services

Generally, you can be reimbursed for qualified medical, vision, pharmacy or dental benefit expenses. Some common eligible health care expenses include medical, dental and vision plan deductibles and co-payments; medical, dental and vision expenses above reasonable and customary levels or expenses not covered by the option you have chosen; vision and hearing expenses; and a *limited* list of over-the-counter items such as bandages, menstrual care products and contact lens solution. Over-the-counter medications without a prescription are also covered.

For a complete list of eligible expenses and non-eligible expenses, you can review the [IRS publication 502](#).

### **Maximum Contributions**

The maximum contribution is currently \$2,750. (The maximum will be adjusted based on IRS regulations.)

Based on IRS rules, the \$2,750 limit is imposed on an employee-by-employee basis and the limit does not increase based on the number of individuals whose expenses may be reimbursed through the health FSA. If both spouses are eligible to contribute to eligible FSA plans, the limit for each spouse is \$2,750 even if the spouses are employed by the same employer and participate in the same health FSA sponsored by that employer.

### **Dependent Care Reimbursement Account**

The Dependent Care Flexible Spending Account helps you pay for eligible dependent care expenses with tax-free dollars. You can use your dependent care account to cover eligible child, elder or other dependent care expenses while you (and your spouse, if married) work. If the services are for child-care, **your child must be under 13 years old and must be your dependent as defined by federal tax rules**. Services may be provided for a child or adult of *any age* if he or she is disabled and unable to care for him or herself and spends at least eight hours of the day in your home.

### **Covered Services**

Child and dependent care expenses must be work-related to qualify for reimbursement. Work-related expenses allow you (and your spouse if married) to work or look for work and they are for an eligible dependent's care. Examples include care at licensed nursery schools, day camps (not overnight camps), and day care centers for children or dependent adults, and services from individuals who provide care in or outside your home. Claim submission must include the following information regarding your day-care provider(s): an original, itemized bill or paid receipt showing the dates of service, the name of the person or organization providing the service, and the actual expenses. You must indicate the Social Security Number or tax identification number of the service provider.

For a complete list of eligible expenses and non-eligible expenses, you can review the [IRS publication 503](#).

### **Maximum Contributions**

The maximum contribution is currently \$5,000. (The maximum will be adjusted based on IRS regulations.)

Based on IRS rules, the following apply:

- If you are married and use the "Married Filing Jointly" tax filing status, the IRS \$5,000 maximum contribution rule is applied to households. That is, if both you and your spouse are eligible to participate in the Dependent Care Account (or a similar program offered by another employer), the total household contribution is limited to \$5,000.
- If you are single and file as "Single Head of Household", the IRS maximum contribution is \$5,000.
- If you are married and use the "Married Filing Separately" tax filing status, the IRS limits contributions to \$2,500 for each spouse.
- The \$2,500 maximum also applies to individuals who file "Single, Not Head of Household".

### **Additional dependent care regulations**

In order to maintain favorable tax treatment, each year NYPA is required to comply with IRS nondiscrimination requirements for Dependent Care Flexible Spending Accounts (DCFSA). The regulations place limits on the amount NYPA's highly compensated employees can contribute to the DCFSA as compared to NYPA's non-highly compensated employees. Although the maximum contribution is \$5,000, you may be subject to a reduction during the Plan Year to satisfy IRS nondiscrimination testing. This means your DCFSA contributions may be reduced or stopped during the plan year. Any employees affected by the FSA limit will be notified by July 3.

## Health Care FSA Rollover

Up to \$550 (adjusted based on IRS regulations) of your unused health care FSA balance can be rolled over into the next year (2021) instead of “losing it”. This feature assures that any unused balance in the current year, up to \$550, will still be there for you in the next plan year. Claims for the next plan year will be reimbursed from the funds you elect for the next plan year and then from the current year carryover funds. The rollover feature **is not** available for the Dependent Care Flexible Spending Account.

## Special Rules for FSA Rollover for 2022

Due to the pandemic, all unused FSA balances will automatically rollover from 2021 to 2022. There is no limit on the rollover amount for either Healthcare or Dependent care. This means that for the Healthcare account you may carry over \$2,750 into 2022 and elect up to \$2,750 in new funds for a total of \$5,500.

For the Dependent care account, you may carry over \$5,000 into 2022 and elect up to \$5,000 in new funds. However, there is an IRS limit, and reimbursements exceeding \$5,000 in the calendar year may have tax implications, **please consult your tax advisor**.

For 2023, the Healthcare rollover will revert to the IRS maximum of \$550 (unused 2022 balances that can be rolled over for use in 2023). Dependent Care accounts will revert to no rollover option.

## Forfeiture Rules - “Use It or Lose It”

Because of the tax advantages of an FSA, the IRS has strict guidelines for its use. One of these guidelines is known as the “use it or lose it” rule. Any unused funds that remain in your account(s) will be forfeited at the end of the plan year if you do not have enough eligible expenses during the year to equal the amount you contributed. However, the Health Care FSA has a rollover feature as mentioned above.

## FSA Health Care Spending Card

The FSA Health Care Spending Card is a debit card that offers a convenient way to pay for eligible expenses such as medical, dental, vision and pharmacy purchases as well as dependent care expenses. No need to write checks or submit claim forms. You should keep your receipts for tax purposes.

## Automatic Claim Processing

Because UnitedHealthcare administers the plan, medical expenses for the NYPA UHC Plan participants will automatically have any claims, not paid with the Health Care Spending card, rolled over to your Health Care FSA for reimbursement. The same will apply to dental expenses for all participants. If you do not wish to have your claims automatically rolled over, you can turn off the automatic rollover feature by going to the [www.myuhc.com](http://www.myuhc.com) website at the beginning of the new plan year.

## Domestic Partners Claims

According to IRS regulations, claims for your domestic partner/domestic partner’s children cannot be reimbursed under your Health Care FSA. You must be legally married to use your Health Care FSA to pay for their health care expenses. Domestic Partners should not use the FSA Health Care Spending Card for their expenses. You will also need to turn off the automatic claim processing feature as mentioned above, so their claims are not automatically rolled over and reimbursed under the FSA account.

## Disclaimer

The information provided is to be used as guidance and is not intended to constitute written tax advice. Consult with your tax advisor, as IRS regulations are subject to change.