FSA 101



Advanced Benefit Strategies, Inc.

Your Flexible Benefits Specialists

Fun Fact: The Origin of FSAs!

FSAs took off after the Revenue Act of 1978 created Section 125 of the tax code. The IRS fine-tuned the rules in the 1980s, and ever since, millions have saved on healthcare and dependent care with tax-free dollars!

What is a Flexible Spending Account (FSA)?

Use pre-tax dollars for medical, dental, vision, and dependent expenses to lower taxes and increase take-home pay!

Types of FSAs:



- **Healthcare FSA (FSA):** Covers medical, dental, and vision expenses for you, your spouse and dependents.
- **Dependent Care FSA (DCA):** Pays for child (up to age 13), spousal or elder care while you work or study full-time.
- **Limited Purpose FSA (LMT):** If you contribute to an HSA, you can use a Limited FSA for vision & dental expenses.

How Does an FSA Save You Money?

By using pre-tax dollars, you reduce your taxable income and can save up to 30% on taxes!

Details	Without FSA	With FSA Contribution
Gross Pay (Annual)	$60,000.00	$60,000.00
Pre-Tax Contribution	$0.00	-$3,600.00
Taxable Income	$60,000.00	$56,400.00
Estimated Taxes (30%)	-$18,000.00	-$16,920.00
Take-Home Pay	$42,000.00	$43,080.00

How Does an FSA Work?



1. **Enroll & Contribute** – Choose your annual election, it is deducted pre-tax from your paycheck.
2. **Pay for Expenses** – Use your FSA **debit card** (if available) or submit claims for reimbursement.
3. **If not using an ABS debit card**, submit receipts and get your money reimbursed back to you by **direct deposit or check**.

Key FSA Rules:

- **Use It or Lose It:** Spend FSA funds within the year, unless your employer offers:
  - **2½-Month Grace Period** – Extra time to incur claims.
  - **Carryover Option** – Some funds roll over to the next year.
- **90-Day Runoff Period:** Submit claims up to 90 days after the plan year ends.
- **Annual Enrollment Required:** Re-enrollment is required each year.
- **Changes Only for Qualifying Life Events:** Marriage, divorce, adoption, job change etc.



Termination Rules:

If you leave your job or become ineligible for the plan:

- Only costs incurred before your last workday can be reimbursed.
- **You have 60 days** after termination to submit claims for expenses incurred before your last day.
- **Forfeiture Rule** – Unused FSA funds are lost unless COBRA applies.

Eligible Expenses:

20,000+ Eligible Expenses – FSAs cover a wide range of healthcare costs. below is a high-level overview:

Healthcare FSA Covers:

- **Medical Expenses:** Copays, deductibles, prescriptions, hospital stays
- **Dental Expenses:** Cleanings, fillings, extractions, orthodontia (non-cosmetic)
- **Vision Expenses:** Eye exams, eyeglasses, contact lenses, prescription sunglasses, LASIK
- **Medical Equipment:** Crutches, wheelchairs, CPAP machines, blood pressure monitors
- **Medical Health & Therapy:** Psychiatric care, counseling, substance abuse treatment
- **Preventive & Specialty Care:** Acupuncture, chiropractic care fertility treatments etc.
- **Over-the-Counter (OTC) Medications:** Pain relievers, allergy meds, cold/flu treatments (no prescription required)
- **First Aid & Medical Supplies:** Bandages, thermometers, hearing aids, diabetes supplies.



Approval Needed – Some expenses require a Letter of Medical Necessity i.e. massage therapy.

Dependent Care FSA Covers:

- **Childcare** (under age 13)
- **Before/After-School Care**
- **Preschool, Day Camps**
- **Elder or Spousal Care** (for dependents who need supervision per the IRS guidelines)

For full details visit **www.irs.gov** (Publications 502 & 503).

How to Submit Claims & Get Reimbursed



Save **receipts** – Credit card statements alone are **not accepted**. Claims must include:

- **Provider Name**
- **Date of Service/Purchase**
- **Amount Owed**
- **Service or Item Description**
- **Person Receiving the Service**

Submit claims via:

- **ABS Mobile App**
- Online: **www.abs125.com**
- Email: **claims@abs125.com**
- Fax: **860-675-2260**
- Mail: **30 Mill Street, Unionville, CT 06085**

Get Paid Faster – *Set up Direct Deposit for quick reimbursements!*

Using Your FSA Debit Card:

- Some expenses auto-approve, others need receipts.
- Receipts Needed – Dental & vision claims almost always require them.
- Keep Your Card – Use it for up to 5 years to avoid replacement fees!

HSA Compatibility Rules:



If you or your spouse is contributing to an HSA bank account:

- No Full-Use FSA – You cannot enroll in a standard Health FSA.
- Limited Purpose Only – You can enroll in an FSA for vision & dental.

Questions?

Call ABS at **(860) 675-2261** or email **support@abs125.com**

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