Frequently Asked Questions about your FSA with Grace Period

FSA

1. **What is a Flexible Spending Account (FSA)?**
   A Healthcare Flexible Spending Account (FSA) is a pre-tax benefit account that you can use to pay for eligible medical, dental, and vision care expenses that aren't covered by your health insurance plan. FSA accounts are exempt from federal taxes, Social Security (FICA) taxes and, in most cases, state income taxes. The money in an FSA can be used for eligible health and/or dependent care expenses that are incurred while you are participating in the plan.

2. **When does my FSA become effective?**
   Your FSA becomes effective **on the date you enroll**. Unlike other plans, an FSA **does not** start on your hire date. Contributions to your account begin as soon as administratively possible after you enroll.

3. **How do I participate in an FSA?**
   To participate, you must enroll within 31 days of your date of hire, or elect to participate during annual Open Enrollment. If you have a life event change (for example, birth or adoption of a child), then you may be able to enroll without waiting for annual Open Enrollment, if you enroll within 31 days of the change.

4. **Who can put money in my FSA?**
   You and your employer, although employers rarely contribute to employees' FSAs.

5. **What does it mean to incur expenses?**
   The IRS considers expenses to be "incurred" at the time you receive medical care or dependent care--not when you are formally billed or actually pay for services. Only eligible expenses you incur within the plan year, including any employer-allowed grace period, are eligible for reimbursement.

6. **Who qualifies as an eligible dependent?**
   An eligible dependent is any dependent for which an employee pays a provider to care for him/her while they are at work or looking for work. The dependent must be under the age of 13 or incapable of taking care of themselves, and live in the employee's home for more than half of the year.

7. **How often can I request reimbursements?**
   Reimbursements can be requested as often as qualified expense are incurred. Expenses must be incurred during the plan year and the reimbursement must be requested before the end of the run-out period (or grace period if applicable per your plan design). Please contact your plan administrator/HR department for more information on the run-out period.

8. **What happens if I have money remaining in my account at the end of the year?**
   The FSA Grace Period (if applicable per your plan design) provides you an additional 2 ½ months after the end of the plan year to spend down money that is left in your FSA

healthcare account. This means that you are on a calendar year plan, have until March 15, 2026 to incur claims against your 2025 FSA. This extension of time to incur expenses reduces the chance for any forfeitures, as every 12-month plan year is, in essence, 14 ½ months.

Only those who have FSA coverage through December 31, 2025 can continue to incur claims against the 2026 plan year for services provided through March 15, 2026.

All FSA claims for services provided January 1, 2025 through March 15, 2026 will automatically be applied and processed from the 2025 plan year first if filed by the claims filing deadline for that plan year. If your claim exceeds the available funds from the 2025 plan year, any excess will be automatically applied to the 2026 plan year.

9. Can I change my election or stop contributing money to my FSA at any time during the plan year?

Federal regulations state that once you have enrolled in an FSA, you cannot change your election amount unless you have a qualifying life event. Consult your employer for a list of permitted change events.

10. How much will I really save in taxes by contributing to an FSA?

Generally, contributions you make to your FSA are not subject to federal or social security taxes. In most instances, there are no state taxes taken out either. The amount you may save depends upon:

- The amount you put into your FSA
- The tax percentage you would normally pay on that money (tax bracket)

Let's say you want $2,000 taken out of your paycheck this year to put into your FSA. The money you direct to your FSA is taken out of your check before taxes are taken out. That reduces your taxable income by $2,000.

Let's say you normally pay 30 percent in federal, social security and state taxes on your income. In this example, you would enjoy a tax savings of 30% of the $2,000. In other words, you could get a $600 tax savings on the $2,000 you directed to your FSA.

11. What type of flexible spending plans are there?

Healthcare FSA: Covers medical, prescription, dental and vision expenses

Dependent Care FSA: Covers dependent care expenses including daycare, nursery school and day camp for children (up to the age of 13), and services for adult dependents who cannot care for themselves

Limited Health Care FSA: Covers dental and vision expenses only (for compliance with a Health Savings Account)