

# Flexible Spending Accounts

If you have a health plan through employment, and your employer offers it, you can use a Flexible Spending Account (FSA) to pay copayments, deductibles, some drugs or supplies, and some other health care costs. Using an FSA can reduce your taxes.

## What is an FSA?

A Flexible Spending Account (FSA) is also known as a Flexible Spending Arrangement. It is a special account money is put into that you can use to pay for certain out-of-pocket health care costs.

Taxes are not paid on money put into an FSA. Many employers make contributions to your FSA, but are not required to.

## General Use

FSA claims are reimbursed by the FSA by being submitted to your employer. Proof of the medical expense and a statement that it has not been covered by your health plan are required for reimbursement. Your employer will have information about how to use your specific FSA.

While you can use FSA funds to pay for deductibles, copayments, certain medical and dental expenses for you, your spouse, and your dependents, you cannot use these funds to pay for your insurance premiums.

FSA funds can be used on prescriptions, as well as over-the-counter medicines with a doctor's prescription. Reimbursements for insulin do not require a prescription.

FSAs may also be used to cover costs of medical equipment such as crutches, supplies like bandages, and diagnostic devices like blood sugar kits. See <https://www.irs.gov/pub/irs-pdf/p502.pdf> for additional information.

## FSA Limits

There are limits to the amount of funds that can be contributed to an FSA. The limit as of 2023 is \$3,050 per year per employer. If you are married, your spouse may also put \$3,050 in an FSA with their employer as well.

Generally, funds in an FSA account must be used within the plan year. Your employer may offer one of two of the following, but is not required to offer either one:

- Grace Period: your employer may allow up to 2 ½ extra months to use the money in your FSA.
- Carry Over: your employer may allow you to carry over \$610 (as of 2023) to use the following year

If funds are not used within the allotted time, you lose any money left over in your FSA. It is important to plan carefully and not put more money in your FSA than you think you will spend within a year.

You **cannot** use a Flexible Spending Account with a Marketplace plan.

However, a Health Savings Account (HSA) is a similar product which allows you to set aside money on a pre-tax basis to pay some health expenses if you have a "high deductible" Marketplace health insurance plan.

