

Basic Information Regarding FSAs & HRA

City of Amesbury

Thad J. Ackerman

Treasurer, AFT Amesbury

FSA's

Flexible Savings Accounts (FSAs) allow you to set aside pre-tax money to be used for medical or dependent care, and realize significant tax savings.

Types of FSAs:

- 1) Medical
- 2) Dependent Care (for child, senior or other dependent)

Benefits of an FSA

- Main Benefit is Tax Savings:
 - Federal (U.S.)
 - State
 - Social Security
 - Medicare
- Also can help with cash flow – since entire amount is available once the FSA year begins, even if it hasn't been withheld from your pay yet.

Calendar / Schedule for FSAs

- FSAs are on an academic calendar: Each academic fiscal year begins on July 1 and ends on June 30 of the following calendar year.
- Look out for FSA information in April or May for the next opportunity to sign up (or renew).
- There is no “grace period” for unused funds for a medical FSA. However, up to \$500 of unused funds will “rollover” to the next FSA calendar year. **IMPORTANT:** Any unused amount in excess of \$500 will be forfeited, so please budget wisely when selecting your FSA amount for the school year.

FSA for Medical Care

- Maximum annual amount to set aside: \$2,700 for 2019-2020 (indexed to inflation so occasionally increases). You can choose any amount.
- Maximum is divided by the number of pay periods to determine amount withheld from each paycheck.

FSA for Medical Care

- Not all medically-related expenses are eligible
- For details on eligible medical expenses, see IRS Publication 502 (available online).

FSA for Dependent Care

- Dependent Care must be provided by an official provider that files and pays appropriate taxes (i.e. cannot be an unofficial “babysitter,” etc.)
- Can be a way to save a substantial amount on taxes to ease the burden of dependent care expenses.
- Contact Benefit Strategies for more info.

HRA

- Background: The Health Reimbursement Arrangement (HRA) in Amesbury was created to cover the “new” copays for Inpatient and Outpatient services for certain procedures. The Amesbury HRA was targeted for only this specific purpose.
- Therefore, most medical expenses are NOT eligible for reimbursement with the HRA (continued...)

HRA

- Friendly HRA Reminders:
 - Use appropriate HRA Claim Form
 - Make sure to have documentation that includes...
 - 1) Date of Service
 - 2) Service Performed
 - 3) Service Provider Information
 - 4) Clear documentation of the \$150 or \$300 amount (copay)
- (An Explanation of Benefits is sufficient, but not required as long as the above is satisfied.)

Resources for You

- Benefit Strategies (administrator of our FSAs and HRA): www.Benstrat.com
- Eligible Medical Expenses for FSAs: IRS Publication 502, IRS.gov