Flexible Spending Accounts (FSAs)

Administered by Rocky Mountain Reserve

A Flexible Spending Account (FSA) allows employees to use pretax dollars for healthcare or child/dependent care expenses not covered by insurance plans. Employees contribute a portion of each paycheck to an FSA and save 25% to 40% in taxes. Money in an FSA can be used to pay for out-of-pocket medical, dental and vision expenses or dependent care expenses. Employees do not need to be enrolled in the City Health Plan to have an (FSA).

Before enrolling in the FSA, decide how much to contribute for the entire plan year. An equal part of the annual election is deducted from each paycheck pretax (before Federal, State, and FICA taxes are deducted). After incurring qualified expenses, either use your debit card or submit claims to Rocky Mountain Reserve for reimbursement via check or direct deposit.

Full FSA Spending Limit	$2,550 (for those enrolled in the Kaiser DHMO or the Aetna Whole Health Plans)
Limited Use FSA Spending Limit	***$2,550 (for those enrolled in the HDHP/HSA Plans – dental/vision expenses ONLY)***
Dependent Care Spending Limit	$5,000

Here's How an FSA Works

1. Decide the annual amount you want to contribute to either or both FSAs based on your expected healthcare and/or dependent childcare/elder care expenses.
2. Contributions are deducted from each paycheck before income and Social Security taxes, and deposited into your FSA.
3. You can pay with the Health Care FSA debit card for eligible healthcare expenses, or for dependent care, or you can pay for eligible expenses when incurred, and then submit a reimbursement claim form or file the claim online.
4. You are reimbursed from your FSA. So, you actually pay your expenses with tax-free dollars.
5. Up to $500 may roll over to 2018.
6. **You cannot use the FSA for medical expenses (only dental and vision) if you are enrolled in the HSA.**

Bob and Jane's combined gross income is $30,000. They have two children and file their income taxes jointly. Since Bob and Jane expect to spend $2,000 in adult orthodontia and $3,300 for day care next plan year, they decide to direct a total of $5,300 into their FSAs.

	Without FSAs	With FSAs
Gross income	$30,000	$30,000
FSA contributions	0	-5,000
Gross income	30,000	25,000
Estimated taxes		
Federal	-2,550*	-1,776*
State	-900	-750**
FICA	-2,295	-1,913
After-tax earnings	24,255	20,314
Eligible out-of-pocket		
Medical and dependent care expenses	-5,000	0
Remaining spendable income	$19,255	$20,561
Spendable income increase		$1,306

*Assumes standard deductions and four exemptions.
**Varies, assumes 30 percent.
The example above is for illustrative purposes only. Every situation varies and we recommend that you consult a tax advisor for all tax advice.