

How FSAs Work

A Flexible Spending Account (FSA) allows you use pre-tax dollars to pay for eligible expenses related to medical, dental, or vision care for you, your dependent child, spouse, or other tax dependent.

How much can you contribute?

The minimum and maximum amounts you can contribute to the FSA are set by your employer, although the maximum allowed by the IRS is \$2,700 per year. Under the IRS rules that govern FSAs, the amount you may contribute is “per person, per employer.” If your spouse has access to a separate FSA through his or her employer, they can elect the IRS maximum through their employer and you can elect the maximum amount through your employer with no IRS penalty.

The amount that you elect for the FSA is divided evenly over the pay periods in the plan year.

Example Plan Year: April 1st through March 31st

Employee A enrolls at open enrollment and starts deductions the first pay period of the new plan year.

Payroll Frequency	Amount Elected	Number of Pay Periods	Per Pay Period Calculation	Per Pay Period Deduction
Semi-Monthly	\$1,000.00	24	= \$1,000 / 24	\$41.67
Monthly	\$1,000.00	12	= \$1,000 / 12	\$83.33
Bi-Weekly	\$1,000.00	26	= \$1,000 / 26	\$38.46

Employee B is hired in April and is not effective on the FSA plan until July 1st. *Employee B*’s deduction schedule is three months shorter than employees that enrolled at open enrollment. Less deductions will require their per pay period deduction amount to be higher to reach the same “goal” (\$1,000) by the end of the plan year.

Payroll Frequency	Amount Elected	Number of Pay Periods	Per Pay Period Calculation	Per Pay Period Deduction
Semi-Monthly	\$1,000.00	18	= \$1,000 / 18	\$55.56
Monthly	\$1,000.00	9	= \$1,000 / 9	\$111.11
Bi-Weekly	\$1,000.00	19	= \$1,000 / 19	\$52.63

FSAs are front-loaded, meaning the full amount you elect is available on the first day of the plan year or the effective date for your enrollment on the plan.

You may want to spend some time calculating your expected/planned medical expenses for the PLAN YEAR to determine the amount to list as your annual enrollment.

***Remember, the amount that is deducted per pay period is the amount of your ANNUAL ELECTION divided by THE NUMBER OF PAY PERIODS LEFT IN THE PLAN YEAR. Only employees that are enrolled for the entire plan year will have their deductions broken up over 12 months.**