PacificSource
ADMINISTRATORS

Reduce your employees' taxes and your FICA payments with Flexible Spending Accounts

A Flexible Spending Account (FSA) can be a win-win for you and your employees. It reduces your organization's payroll taxes, while lowering your employees' tax liability. Employees can use FSAs to pay for specific health, childcare, and elder care expenses. We can tailor an FSA package to meet your organization's specific needs.

What is an FSA?

Employee-funded account via pretax payroll deductions with optional employer contributions.

For reimbursing employee (and eligible dependent) healthcare and health product expenses.

For reimbursing childcare expenses.

Employees decide how much to contribute by estimating their annual out-of-pocket expenses.

Optional carry-over and grace period provisions allow employees to keep a portion of unspent Health FSA dollars after the end of the plan year.

Sometimes referred to as a "cafeteria plan" or a "Section 125 plan."

Includes three components: Health FSA, Dependent Care FSA, and Premium Payment

Advantages of an FSA

- **Reduces your employees' owed taxes**
- **Reduces your organization's payroll taxes**
- **Helps employees better manage the cost of healthcare and dependent care**
- **Provides a discount if you offer your employees a PacificSource health plan**

How it works

1. We help you set up and communicate your FSA offerings, including customized materials for your employees. We help educate your employees on the benefits and risks of participating in the plan.

2. We'll issue reimbursement checks or direct deposit amounts to participants within about a week of receiving the requests.

3. At the end of the plan year, any unused funds in FSA accounts are forfeited to the employer. There are two options for you to extend the availability of funds after the end of the plan year:

   - A grace period allowing for 2.5 months additional usage
   - A carryover provision, allowing a portion of the unused Health FSA dollars to carry over to the next plan year. The carryover limit is set annually by the IRS.

All our services include:

Secure online account access

Excellent customer service

Quick and accurate claims administration

FSA options

Health FSA

General Purpose Health FSA
For the portion of healthcare expenses not paid for by an insurance plan. Eligible expenses include:

- Deductibles, coinsurance, copays
- Medical, dental, vision, and alternative care
- Prescriptions and over-the-counter medicine

Limited-Purpose Health FSA

- Can be used by participants with a Health Savings Account
- For dental and vision expenses only

Limited-Scope Health FSA

- For employees and dependents who don't have group medical coverage
- For dental and vision expenses only

Dependent Care FSA

- For childcare or elder care
- Usually provides a greater tax savings than the IRS standard dependent care tax credit

Premium Payment Component

- Employees pay insurance premium expenses with pretax dollars
- Employees can save via payroll deductions
- Reduces your organization's FICA payments

FSA FAQ

Who is eligible to participate?

Only employees are eligible to participate in the FSA. Therefore, two percent or more owners in an S Corporation, sole proprietors, or partners in a partnership, LLC, or LLP are not eligible to participate in the plan. Talk to your PacificSource Administrators, Inc. (PSA) representative to resolve any eligibility questions.

Can employees make changes during the plan year?

Participants can make changes, including deduction amounts, to dependent care accounts if they experience qualified changes in status that directly affect their child care. Status changes may include marriage, divorce, birth, death, adoption, spouses changing employment, or job shift changes for employees or spouses.Changes to the health FSA are based on a more limited set of qualifying events and can be made only if the plan you have adopted allows changes. To make eligible changes to their deduction amounts, employees can complete a change form and submit it to your human resources department.

How soon must employees submit claims?

Employees have until 90 days after the end of the plan year to submit requests for reimbursement. If you adopt the grace period, the plan year is extended by an additional two months and 15 days, after which the 90-day period begins.

Can a participant be reimbursed before contributing the amount to the account?

It depends on the type of account. With a Dependent Care FSA, the eligible reimbursement amount is available only after the funds have been deducted from the payroll. For a Health FSA, participants have access to their total annual elections for reimbursement at the beginning of the plan year.

What is the maximum allowable allocation for an FSA?

It varies by the type of account. For a Dependent Care FSA, the maximum is $5,000 per calendar year, or $2,500 if married and filing separately. With a Health FSA, the maximum annual election is set by the IRS, but you can choose a lower maximum for your employees. For a Premium Payment Component plan, a maximum doesn't apply because the premium is the only pretax deduction.

About us

We have a long history in insurance, employee benefit plan administration, and management services. We currently provide services for more than 2,150 organizations, primarily in the Northwest. PacificSource Administrators, Inc. has regional offices in Idaho, Montana, Oregon, and Washington.

Questions?
Contact us for quotes.

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We accept all relay calls. Ask for PSA Sales.

PacSrc.co/psa-quote

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