IRS FLEXIBLE SPENDING ACCOUNTS

IRS MEDICAL FSA

FSA PLAN YEAR IS: **September 1, 2019 - August 31, 2020**

FSA MAX: **The 2019 maximum contribution is $2,700**

IRS Medical Flexible Spending Accounts (FSA) allow you to set aside pre-tax payroll deductions each paycheck to pay for out of pocket medical, dental and vision expenses for you and your family. During open enrollment you will estimate the amount you think you will need during the year. This amount will be taken out of each paycheck. Your full annual election will be available to you at the beginning of the plan year.

Please note: If you don't use it, you will lose it!

IRS DEPENDENT CARE FSA

With an IRS Dependent Care Flexible Spending Account (FSA), you can set aside part of your pay on a pre-tax basis to pay for eligible dependent care expenses, such as:

- Day Care Centers
- Before/After School Care
- Mothers-Day-Out Program
- Nursery Schools
- Babysitters
- Nanny
- Au Pair
- Day Camps

YOU MAY ALLOCATE UP TO $5,000 PER TAX YEAR FOR REIMBURSEMENT OF DEPENDENT DAY CARE SERVICES.

($2,500 if you are married and file a separate tax return).

This account allows you to pay for day care expenses for your qualifying dependent/ child with pre-tax dollars while you (and your spouse) are working, seeking employment, and/or attending school as a full time student (for at least five months of the year). Eligible dependents must be claimed as an exemption on your tax return.

Please note: If you don't use it, you will lose it! You MUST re-enroll every year, even if the amount is the same as last year. Monies are also not fronted, they are available only as you have them deducted from your paychecks

HEALTH SAVINGS ACCOUNTS

What is a Health Savings Account (HSA)?
HSAs were created to help control healthcare costs. They provide a savings vehicle that allows you to set aside money to pay for higher deductibles associated with lower monthly premium High Deductible Health Plans (HDHP). The money you save in monthly insurance premiums may be for eligible medical expenses you incur in the future. Your HSA balance rolls over from year-to-year earning interest along the way. The account is portable. Upon retirement or separation of service, you take the HSA with you because it's your money and your account.

HSA PLAN YEAR IS: **September 1, 2019 - August 31, 2020**

HSA MAX: **The 2019 maximum contribution is $3,500 for an individual and $7,000 for a family**

Key Advantages of an HSA

»No end-of-year forfeiture of funds
»Portable account
»Provides an excellent savings vehicle for healthcare expenses
»No monthly account fees
»Free statements when you opt in for electronic delivery
»The money you put into the account is deducted from your paycheck before tax
»The interest and earnings you make on the account grow tax free
»Distributions for eligible medical expenses are tax free

FACTS:

»Money is not available up front
»You cannot have both Flex and HSA for Medical use
»You MUST re-enroll every year, even if the amount is the same as last year

IMPORTANT: *If you are switching from an FSA to an HSA this plan year, you must exhaust your FSA by 08/31/2019 or you will not be able to contribute to the HSA account until after the 2-1/2 month grace period ends on 11/15/2019.*

Resources for FSA Management

Flexible Benefits Card

The Flex Benefits Card is available to all employees that participate in Medical FSA and or a Dependent Care FSA. The Benefits Flex Card gives you immediate access to your money at the point of purchase. Cards are available for participating employees, their spouse and eligible dependents that are at least 18 years old.

The IRS requires validation of most transactions. You must submit receipts for validation of expenses when requested.

FF Flex Mobile App

With the FF Flex Mobile App you can submit claims, view account balance & history, see claim status, view alerts, upload receipts and documentation and more! The FF Flex Mobile App is available for Apple® or Android™ devices on the App Store℠ or the Google Play Store™.

Your Employer ID Number is FFA113. Also, you will receive your Flex Benefits MasterCard in the mail. You must have either your Employer ID Number or your Flex Benefits MasterCard number to register your account on the FF Flex Mobile App.

FSA Store

First Financial has partnered with the FSA Store to bring you an easy to use online store to better understand and manage your FSA. Visit *http://www.ffga.com/fsaextras* for more details & special deals!

- Shop at FSA Store for eligible items from bandages to wheel chairs and thousands of products in between
- Browse or search for eligible products and services using the FSA Eligibility List
- Visit the FSA Learning Center to help find answers to questions you may have about your FSA

Comparing HSAs & FSAs

Differences in HSAs and FSAs

Health Savings Accounts (HSAs), and Flexible Spending Accounts (FSAs) are common types of reimbursement accounts offered by First Financial Administrators, Inc. These accounts allow you to set aside money for qualified medical expenses, while reducing your overall tax burden.

However, there are significant differences between an HSA and a FSA. With an HSA, you own the account and can take it with you wherever you go, with funds that you can't lose. Also — unlike a FSA — your funds are generally available in your account only as contributions are made, instead of from the beginning of the plan year.

HSA	FSA
ELIGIBILITY REQUIREMENTS	
Must have qualified HDHP and no other disqualified health plan. Cannot be covered under a traditional FSA or spouses traditional health plan. Can not be enrolled in MediCare.	No FSA specific eligibility requirements.
YEARLY CONTRIBUTION AMOUNTS	
IRS limit of $3,500 for singles, $7,000 for families (2019).	IRS limit of $2,700 Per FSA (2019).
AVAILABILITY OF FUNDS	
Funds are available as contributions are made.	The full election amount is available on the first day of the plan year.
CHANGING CONTRIBUTION AMOUNTS	
Contributions can be changed at any time.	May be adjusted at open enrollment or with a qualifying life event in employment or family status.
ROLLOVER	
Any unused balance always rolls over to the next plan year.	FSAs are "use it or lose it" and you forfeit any unused balance at the end of the plan year. Galena Park ISD allows a 2-1/2 month grace period to receive services by November 15 and to submit charges for reimbursement by November 30 made in the plan year.

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HSA	FSA
PORTABILITY	
It's your account. You can take it with you wherever you go.	You will lose your FSA with a change in employment.
EFFECT ON TAXES	
Contributions can be via pre-tax payroll deductions or made on the portal with after-tax contributions. Growth and distributions for qualified expenses are tax free. Tax deduction on taxes at end of year.	Contributions are taken out of your paycheck pre-tax. Distributions are tax free for qualified expenses.
DOCUMENTATION	
You are responsible to maintain documentation in case of an IRS audit.	You will be requested to provide documentation to substantiate the expense.
TAX DOCUMENTS	
1099-SA distributions will be sent to you by January 31. 5498 Contributions will be issued in May.	Reported on W-2.
INVESTMENTS	
Investment options available once you have accumulated over $1,000. Investments can be made online by logging into the secure portal at www.ffga.com.	No investment options.
DISTRIBUTIONS	
Any distribution amount not used exclusively to pay for qualified medical expenses is included in your gross income and may be subject to an additional 20% tax.	Expenses must be incurred during the plan year.

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Employee FAQ:
Health Savings Accounts

What is a health savings account (HSA)?
An HSA is a tax-advantaged personal savings account that can be used to pay for medical, dental, vision and other qualified expenses now or later in life. To contribute to an HSA you must be enrolled in a qualified high-deductible health plan (HDHP) and your contributions are limited annually. The funds can even be invested, making it a great addition to your retirement portfolio.

Why should I participate in an HSA?
Funds contributed to an HSA are triple-tax-advantaged.

1. **Money goes in tax-free.** Most employers offer a payroll deduction through a Section 125 Cafeteria Plan, allowing you to make contributions to your HSA on a pre-tax basis. The contribution is deposited into your HSA prior to taxes being applied to your paycheck, making your savings immediate. You can also contribute to your HSA post-tax and recognize the same tax savings by claiming the deduction when filing your annual taxes.

2. **Money comes out tax-free.** Eligible healthcare purchases can be made tax-free when you use your HSA. Purchases can be made directly from your HSA account, either by using your benefits card, ACH, online bill-pay – or, you can pay out-of-pocket and then reimburse yourself from your HSA.

3. **Earn interest, tax-free.** The interest on HSA funds grows on a tax-free basis. Unlike most savings accounts, interest earned on an HSA is not considered taxable income when the funds are used for eligible medical expenses.

What expenses are eligible for reimbursement?
Health plan co-pays, deductibles, co-insurance, vision, dental care, and certain medical supplies are covered. The IRS provides specific guidance regarding eligible expenses. (See IRS Publication 502).

Am I eligible to participate?
In order to contribute, you must be enrolled in a qualified HDHP, not covered under a secondary health insurance plan, not enrolled in Medicare, and not another person's dependent. You also cannot be enrolled in a traditional Flexible Spending Account for you or your spouse. There are no eligibility requirements to spend previously-contributed HSA funds.

What is a high-deductible health plan?
A HDHP is a health insurance plan with deductible amounts that are greater than $1,350 for individual or $2,700 for family coverage and have an out-of-pocket maximum that does not exceed $6,650 for individual or $13,300 for family coverage.

How do I contribute money to my HSA?
Payroll deduction is offered by your employer. Your annual contribution will be divided into equal amounts and deducted from your payroll before taxes. Direct contributions can also be made from your personal bank account and can be deducted on your personal income tax return.

Can I change my contributions to my HSA during the year?
Yes. You will not be subject to the change-in-status rules applicable to other benefit accounts. You will be able to make changes in your contributions by providing the applicable notice of change provided by your employer.

How much can I contribute to my HSA?
Contributions can be made by the eligible employee, or any other individual. Annual contributions from all sources may not exceed $3,500 for singles or $7,000 for families in 2019. Individuals aged 55 and over may make an additional $1,000 catch-up contribution.

Do I have to spend all my contributions by the end of the plan year?

No. HSA money is yours to keep. Unlike a flexible spending account (FSA), unused money in your HSA isn't forfeited at the end of the year; it continues to grow, tax-deferred.

What happens if my employment is terminated?

HSAs are portable and move with you if you change employment. Your HSA belongs to you, not your employer, just like your personal bank account.

How do I access the funds in my HSA?

You are responsible for ensuring the money is spent on qualified purchases only and maintaining records to withstand IRS scrutiny. Payments can be made via ACH, online bill-pay, or debit card, depending on what is available to you.

When must contributions be made to an HSA for a taxable year?

Contributions for the taxable year can be made in one or more payments at any time after the year has begun and prior to the individual's deadline (without extensions) for filing the eligible individual's federal income tax return for that year. For most taxpayers, the deadline is April 15 of the year following the year for which contributions are made.

What happens to the money in my HSA if I no longer have HDHP coverage?

Once you discontinue coverage under an HDHP and/or get secondary health insurance coverage that disqualifies you from an HSA, you can no longer make contributions to your HSA. However, since you own the HSA, you can continue to use the remaining funds for future healthcare expenses.

Is tax reporting required for an HSA?

Yes. IRS form 8889 must be completed with your tax return each year to report total deposits and withdrawals from your account. You do not have to itemize to complete this form.

Can I still deduct healthcare expenses on my tax return?

Yes, but not the same expenses for which you have already been reimbursed from your HSA.

Can I withdraw the money for non-healthcare purchases?

Yes. If you withdraw the money for an unqualified expense prior to age 65, you'll be subject to your ordinary income tax, in addition to 20% tax penalty. You can withdraw the money for any reason without penalty after age 65, but are subject to applicable income taxes.

Can I roll over or transfer funds from my previous HSA into my new HSA?

Yes. Pre-existing HSA funds may be rolled into a new HSA and will continue their tax-free status. Contact First Financial at (866) 853-3539 for assistance.

Can I control how the funds are invested?

Yes. Once your HSA cash account balance reaches $1,000, you can transfer funds to an HSA investment account. You can choose from a selection of mutual funds and setup an allocation model for future transfers like you would for a 401k plan.

Can I transfer funds between the cash and investment accounts?

Yes. You can transfer money between your HSA cash and HSA investment account at any time.

For more information, call (866) 853-3539

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