IOWA STATE UNIVERSITY
OF SCIENCE AND TECHNOLOGY

Office of Fringe Benefit Accounting & Compliance
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FLEXIBLE SPENDING ACCOUNTS FAQ

HEALTH CARE FLEXIBLE SPENDING ACCOUNT (FSA)

DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT (DCAP)

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HEALTH CARE FLEXIBLE SPENDING ACCOUNT (FSA)

- What is a Health Care FSA?
  - The Health Care Flexible Spending Account is a tax-free account that allows you to pay for essential health care expenses that are not covered, or are partially covered, by your medical, dental and vision insurance plans. By contributing a portion of your payroll dollars into your FSA on a pre-tax basis, you can save from 25% to 40% on the cost of eligible expenses you are already incurring.
  - When you enroll, you decide how much to contribute for the entire plan year. Your contribution amount is deducted in equal portions from your paychecks pre-tax throughout the plan year on a calendar year basis (not academic or fiscal year). Anyone whose annual budgeted salary is paid on a 9- or 10-month basis will have 10 equal contributions, otherwise you will have 12. For those paid on a semi-monthly basis, you will have 24.

- Who is eligible to enroll?
  - Faculty, Professional & Scientific, Merit and Pre/Postdoctoral employees with an appointment of ½ time or greater. Retired employees are not eligible.
  - Enrollment must occur either during new hire benefits enrollment, during the annual open enrollment period or mid-year if there is a qualifying event.

- How much can I contribute?
  - For 2023, the minimum contribution for a health care FSA is $240 and the maximum is $3,050.
  - Contributions are tax-exempt. You will not pay federal or state income tax, Social Security tax, or Medicare tax on these contributions.
  - The health care FSA contribution limit is per account, not per family, meaning both spouses can contribute the IRS pre-tax limit each year. For example, if you each contribute the maximum of $3,050, you will have a total of $6,100 available to use for your family.
  - The entire annual election amount is available to you on the first day of the plan year. You do not have to wait for contributions to accumulate. However, you must wait to submit claims until after your first contribution is made (typically after February 1st of the new plan year) as your account will not be setup with ASIFlex yet.

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- What types of expenses are considered eligible for reimbursement?
  - Eligible expenses typically include co-pays for doctor visits, prescription drug costs, vision and hearing expenses including eyeglasses, contacts and hearing aids, menstrual products, and some over-the-counter drugs and medical equipment.
  - Transportation expenses that were primarily for, and essential to, your receiving medical care or services. These transportation expenses could include round trip mileage, mass transit expenses or ambulance service, as well as other expenses. You cannot include mileage for going to and from work, travel for purely personal reasons to another city for an operation or medical care or travel merely for general health improvement.
  - Cosmetic procedures and drugs taken for cosmetic purposes are typically not covered.
  - Health club dues, massages, vitamins, herbs & nutritional supplements are typically not covered unless you have been diagnosed with a medical condition that necessitates these items. You must have a letter of medical necessity and/or prescription from your doctor to qualify.
  - IRS rules determine which expenses are eligible and are subject to change.
  - You can view a complete list of eligible expenses on ASI's website: Eligible Expenses

- Whose expenses qualify for reimbursement?
  - Qualifying expenses are those for medical care for yourself (the participant), your spouse, your qualified child or qualified relative, even if they are not covered by your health insurance.
    - Generally, a "qualifying child" must:
      - Be a dependent of the taxpayer (son, daughter, grandchild, niece, nephew, brother, sister) that you can claim on your tax return
      - Not provide over half of his/her own support
      - Be under the age of 19 by the end of the calendar year (age 24 if a full-time student), or any age if permanently and totally disabled
      - Have the same principal residence as the taxpayer for more than half of the year (temporary absences due to illness, education, business, vacation or military service do not disqualify the child)
    - A "qualifying relative" must:
      - Be a blood relative or share the same primary residence with the taxpayer if not a blood relative
      - Receive over half of his/her support from the taxpayer
      - Be a U.S. citizen or national or a resident of the United States, Canada or Mexico
  - You may also claim medical expenses you incur and pay to medical providers of a child for whom you don't get the tax exemption due to a divorce decree, as long as one parent claims the child as a tax dependent. The tax

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exemption may switch from year to year between parents. As long as one parent gets the tax exemption, the medical expenses you pay on behalf of the child to the medical provider qualify under the FSA.

- The IRS does recognize legally valid same sex marriages. If your marriage was legally performed in a state or other jurisdiction that recognized same sex marriage at the time of the ceremony, then your same sex spouse's qualifying expenses also qualify for reimbursement under the FSA.
- The IRS does not recognize a qualified domestic partner for tax purposes. Qualified Domestic Partners may not file a joint tax return and expenses of a Qualified Domestic Partner do not generally qualify as a dependent under the definition of a "qualifying relative". If you are unsure, you may confirm eligibility by using the Internal Revenue Code worksheet for determining dependent status found in IRS Publication 501.

➢ How do I file a claim?

- Claims cannot be submitted until the first payroll contributions are reported as your account will not be setup with ASIFlex yet.
- Online - ASI Flex Website
    - You will need to create a log-in and password. Scan your documentation and submit your claim securely through their portal.
- Mobile App
    - Download the free app, snap a picture of your documentation and submit.
- Toll-free Fax
    - Download the claim form and fax to 1-877-879-9038
- US Mail
    - Download the claim form and mail to PO Box 6044, Columbia, MO 65205

➢ What documentation do I have to submit with my claim?

- Per IRS regulations, each item claimed must be supported by an itemized statement of service. Documentation must contain the following information for payment to be issued:
    - Name of the provider
    - Name of the person receiving care
    - Date(s) of service
    - Amount(s) charged for the service
    - An itemized description of each service provided
- A cancelled check or credit card receipt is not sufficient documentation for reimbursement.

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- Over-the-counter drugs and menstrual products require an itemized store receipt showing the store name, date of purchase, description of each item, and dollar amount.

➢ How will I receive reimbursement?

- ASIFlex will mail a check or you can sign up for direct deposit by submitting the request form directly to ASIFlex: Direct Deposit Request Form
- Automatic Reimbursement
  - When enrolled in the ISU medical and dental plans, you can choose to sign up to have claims rollover to ASIFlex automatically. You will not be required to submit reimbursement requests for eligible deductible, co-insurance and co-pay expenses that are processed through the insurance carrier. These eligible expenses are automatically transmitted to ASIFlex, who will then initiate reimbursement to you automatically. To sign up for this service, complete and submit the request form directly to ASIFlex: Claims Rollover Authorization Form
- Debit Card Option
  - You can request a debit card through your online account. Or you can contact ASIFlex to request one.
  - Debit Card Things to Know

➢ Can I change my election amount after the plan year starts?

- Except as specified in this section, your election under the plan is irrevocable for the plan year, except within 31 days of a "family status change". The IRS specifically defines a "family status change" as:
  - Marriage
  - Divorce
  - Death of your spouse or a dependent
  - Birth or adoption of a child
  - Change in child custody
  - Change in you or your spouse's employment status
  - Change in residence
  - Change in eligibility for Medicare, Medicaid or a plan maintained by your spouse or dependent's employer
  - *****NOTE***** *- if the change is to increase your annual election, only expenses incurred AFTER the date of the change are eligible for reimbursement at the higher amount. For example, you elect $500 at the beginning of the year. A change is made effective February 1st to increase the annual election to $2000. Expenses*

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incurred prior to February 1st are capped at $500 for reimbursement. The remaining $1500 can only be used for expenses incurred after February 1st.

- Changes are not effective until the first of the month AFTER the date of the qualifying event. There are some exceptions to this including the birth or adoption of a child.

- If you qualify to change your elections due to an event, contact the University Human Resources Service Center at 1-877-477-7485 or benefits@iastate.edu to obtain the appropriate form. You can also download it here: Flexible Spending Change Form

➢ What happens to my FSA funds at the end of the year?

- Expenses must be incurred (defined as the date services are provided, not the date you are billed or pay for the services) by December 31st of the plan year. The deadline to file claims is April 30th of the following calendar year.
- The ISU Plan allows for a carryover amount of up to $570 for 2022 and $610 for 2023. The carryover does not count against or otherwise affect the maximum allowable contribution applicable to each plan year as the carryover would be added to your available funds.
- Any remaining funds greater than $570 for 2022 and $610 for 2023 that are not used for expenses incurred by December 31st and claimed by April 30th are forfeited. IRS regulations mandate that these funds may not be rolled over into another account or refunded to the employee. ISU uses forfeited funds to help defray the administrative costs of the plan.

➢ What happens to my FSA funds if my employment with ISU ends?

- Your participation ends the last day of the month in which a contribution is made.
  - For example, if your separation date is 11/15 and you still contribute to your FSA in November via a payroll deduction, your participation end date would be 11/30. If you do not contribute to your FSA in November (and your last contribution was in October), your participation end date would be 10/31.
- You may submit claims for eligible expenses incurred through the last day of participation. Only expenses incurred prior to that date are eligible for reimbursement, but you have until April 30th of the following year to file eligible claims.
- You may elect COBRA coverage to extend your period of participation on a monthly basis up to the remainder of the plan year. You will pay the full monthly contribution on a post-tax basis plus an administration fee. A COBRA application will be mailed to your home address within 30 days of your separation.

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DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT (DCAP)

- What is a Dependent Care FSA (DCAP)?
  - The Dependent Care Assistance Program is a tax-free account that is used to pay for dependent care services while you are at work. A covered dependent includes children under the age of 13 or other dependents that live with you at least 8 hours a day and are incapable of self-care. The plan year is based on the calendar year, not the academic year or fiscal year.

- Who is eligible to enroll?
  - Faculty, Professional & Scientific, Merit and Pre/Postdoctoral employees with an appointment of ½ time or greater. Retired employees are not eligible.
  - Enrollment must occur either during new hire benefits enrollment, during the annual open enrollment period or mid-year if there is a qualifying event.

- How much can I contribute?
  - The minimum contribution for a dependent care FSA is $240 and the maximum is $5,000.
  - Contributions are tax-exempt. You will not pay federal or state income tax, Social Security tax, or Medicare tax on these contributions.
  - The dependent care FSA contribution limit is per family, not per account, meaning you and a spouse are allowed to contribute to your own accounts, however the ***combined contributions*** cannot exceed the maximum per year for the household.

- Who qualifies as a dependent?
  - To qualify as a dependent for tax purposes, an individual must be a qualifying child or qualifying relative and must not have income equal to or in excess of the federal exemption amount for that tax year.
    - A "qualifying child" must:
      - Be a dependent of the taxpayer (son, daughter, grandchild, niece, nephew, brother, sister)
      - Not provide over half of his/her own support
      - Be under the age of 13 unless permanently and totally disabled
      - Have the same principal residence as the taxpayer for more than half of the year (temporary absences due to illness, education, business, vacation or military service do not disqualify the child)
      - Cannot be claimed as a qualifying child for any other taxpayer
    - A "qualifying relative" must:

- Be a person or spouse who was physically or mentally unable to care for themselves
- Have the same principal residence as the taxpayer for more than half of the year
- Receive over half of his/her support from the taxpayer
- Be a U.S. citizen or national or a resident of the United States, Canada or Mexico

- When parents are divorced, separated, or living apart, only the custodial parent is permitted to utilize the dependent care FSA.
- If you are unsure, you may confirm eligibility by using the Internal Revenue Code worksheet for determining dependent status found in IRS Publication 503.

- Does my dependent care provider have to be a licensed day care center?
  - No, they do not have to be licensed, unless they care for enough individuals to require licensing in your state. The provider must provide you with their tax ID or social security number as this will be required when filing your federal income tax returns.

- What types of expenses are considered eligible for reimbursement?
  - Only work-related expenses qualify for reimbursement. This means that the expenses must be incurred while you or your spouse are working or actively looking for work. Unpaid volunteer work or volunteer work for a nominal salary does not qualify. If married, both you and your spouse must work unless your spouse is a full-time student or disabled.
  - If you or your spouse are a full-time student, you must be enrolled at least five calendar months of the year, not necessarily consecutive, for the number of hours considered by that institution to be a full-time course of study. A student who attends school only at night is not a full-time student.
  - Eligible expenses can include daycare, preschool, before and after school programs, summer day camp, and in-home child or elder care.
  - Expenses for education, food, transportation, activity fees, overnight camps, etc. typically do not qualify for reimbursement.
  - IRS rules determine which expenses are eligible and are subject to change.
  - You can view a complete list of eligible expenses on ASI’s website: Eligible Expenses

- How do I file a claim?
  - Reimbursement is only allowed for services that have already been provided. If you pay in advance, you can only submit claims for service periods that have already occurred.

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- Funds are only available after contributions are made. You cannot be reimbursed for claim amounts higher than your current DCAP account balance.
- Online - ASI Flex Website
  - You will need to create a log-in and password. Scan your documentation and submit your claim securely through their portal.
- Mobile App
  - Download the free app, snap a picture of your documentation and submit
- Toll-free Fax
  - Download the claim form and fax to 1-877-879-9038
- US Mail
  - Download the claim form and mail to PO Box 6044, Columbia, MO 65205

➢ What documentation do I have to submit with my claim?

- Per IRS regulations, each item claimed must be supported by an itemized statement of service from the care provider. Documentation must contain the following information for payment to be issued:
  - Name of the provider
  - Name of the person receiving care
  - Date(s) of service
  - Amount(s) charged for the service
  - An itemized description of each service provided
  - A cancelled check or credit card receipt is not sufficient documentation for reimbursement.

➢ How will I receive reimbursement?

- ASI will mail a check or you can sign up for direct deposit by submitting the request form: Direct Deposit Request Form

➢ Can I change my election amount after the plan year starts?

- Except as specified in this section, your election under the plan is irrevocable for the plan year, except within 31 days of a “family status change”. The IRS specifically defines a “family status change” as:
  - Marriage
  - Divorce
  - Death of your spouse or a dependent

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  - Birth or adoption of a child
  - Change in child custody
  - Change in you or your spouse's employment status
  - Change in dependent care provider
  - Significant changes in the cost of care
- If you qualify to change your elections due to an event, contact the University Human Resources Service Center at 1-877-477-7485 or benefits@iastate.edu to obtain the appropriate form. You can also download it here: Flexible Spending Change Form

➢ What happens to my DCAP funds at the end of the year?

- The ISU Plan allows for a "grace period" that extends the amount of time to incur a claim to March 15th of the following plan year. "Incurred" is defined as the date services are provided, not the date you are billed or pay for the services. There is no limit to the amount that can roll over within the grace period.
- The deadline to file all claims is April 30th of the following plan year.
- Any remaining funds that are not claimed by April 30th are forfeited. IRS regulations mandate that these funds may not be rolled over into another account or refunded to the employee. ISU uses forfeited funds to help defray the administrative costs of the plan.

➢ What happens to my DCAP funds if my employment with ISU ends?

- Your participation ends the last day of the month in which a contribution is made.
  - For example, if your separation date is 11/15 and you still contribute to your DCAP in November via a payroll deduction, your participation end date would be 11/30. If you do not contribute in November (and your last contribution was in October), your participation end date would be 10/31.
- You can still submit for reimbursement for claims incurred after the date of separation up to the amount of your remaining DCAP account balance or until the end of the year in which your employment ends as well as any applicable grace period. *Only expenses incurred while working are eligible*.
- DCAP does not have a COBRA option.