Mastery Schools

GET THE MOST OUT OF YOUR FLEXIBLE SPENDING ACCOUNTS

FLEXIBLE SPENDING ACCOUNTS

A Flexible Spending Account (FSA) is an account in an employee's name that reimburses the employee for qualified healthcare or dependent care expenses. It allows an employee to fund qualified expenses with pre-tax dollars deducted from the employee's paychecks. The employee can receive cash reimbursement up to the total value of the account for covered expenses incurred during the benefit plan year and any applicable grace period.

"USE-IT-OR-LOSE-IT" RULE

As required by the IRS, an FSA has a "use-it-or-lose-it" provision stating that any unused funds at the end of the plan year (plus any applicable grace period) will be forfeited. When electing an FSA during open enrollment, the employee must specify how much he or she would like to contribute to the FSA for the year. The goal is to choose an amount that will cover medical or dependent care expenses, but that is not so high that the money will be forfeited at the end of the year.

The IRS allows employers to offer an extended deadline, or grace period, of 2 ½ months after the end of a plan year to use FSA funds. Thus, for a plan year from July 1 to June 30, employees would have until September 15 to spend the funds in their FSAs. This provision is strictly optional; the employer must choose to implement it.

In addition, employers may allow participants to carry over up to $640 in unused Healthcare FSA funds into the next year, for the 2024 plan year. Similar to the grace period rule, this carry-over rule is strictly optional, and employers must choose to implement it. The carry-over provision is only available if the plan does not also incorporate the grace period rule.

TYPES OF FSAs

There are three different types of FSAs: Healthcare accounts, Dependent Care and Commuter accounts. An employee can elect to have all three types of accounts and contribute separate pre-tax dollars to each. These accounts are kept separate; for instance, an employee could not be reimbursed for Dependent Care expenses from his or her Healthcare account.

HEALTHCARE ACCOUNTS

A Healthcare FSA reimburses employees for eligible medical expenses, up to the amount contributed for the plan year. A Healthcare FSA offered through a cafeteria plan must limit the amount of salary reduction contributions that employees can make. For 2024, the limit is $3,200.

A Healthcare FSA only reimburses employees for money spent on medical care. Examples of qualified medical expenses include deductibles and copayments for an individual's health plan. Eye exams,eyeglasses, contact lenses, hearing exams, hearing aids, physical exams and smoking cessation programs are also covered.

For a complete list of qualified medical expenses, visit www.fsastore.com.

DEPENDENT CARE ACCOUNTS

The second type of FSA is a Dependent Care account. This account can be used to pay for care of dependent children under the age of 13 by a babysitter, daycare center, or before- or after-school program. Care for a disabled spouse, parent or child over the age of 13 is also eligible for reimbursement.

Many of the same general rules that apply to Healthcare FSAs also apply to Dependent Care FSAs, such as the "use-it-or-lose-it" rule. However, there are some other important differences between the two types of accounts. For Dependent Care FSAs:

- There is an annual limit as to how much an employee can contribute. This amount is $5,000, or, if lower, the maximum amount that can be excluded from the employee's income under Section 129 of the Tax Code when the employee's election is made;
- The money in a Dependent Care FSA is not available until it has been deposited by the employee; and
- Dependent Care FSA expenses cannot be reimbursed until they are actually incurred. This can be an issue when child care centers "pre-bill" for services, and employees are required to pay in advance.

HOW DO I SAVE MONEY?

A Dependent Care FSA gives you the power to set aside money, tax-free, from your paycheck to put towards caring for your children and any adult dependents in your care.

WHAT IS IT USED FOR?

The funds in a Dependent Care FSA are for out-of-pocket expenses like nursery school, child daycare, before/after school care, and even care for adult dependents. You cannot use the funds in a Dependent Care FSA for any medical purchases or services for your family. For that, you will need to make a separate election for a Medical FSA.

TAX SAVINGS EXAMPLE

You spend $5,000 on daycare each year. By enrolling in a Dependent Care FSA, you could save upwards of $1,500.*

Savings Calculation	Calculate Your Savings
$5,000 / year x 30% tax rate = $1,500 / year in savings*	Annual Election x Tax Rate = Annual Savings $_________ x ________% = ___________

* For illustration purposes only. Individual tax rates and maximum amounts apply.

WHY DO I NEED THIS PLAN?

A Dependent Care FSA is a financial tool used to reduce the cost of child and adult dependent care. You set aside tax-free money from your paycheck to put toward services you are already paying for. Ultimately, a Dependent Care FSA is just one more savings tool. Additionally, if you have medical expenses for a dependent, you can consider enrolling in a Medical FSA with a separate election to receive tax-free savings on those expenses.

COMMUTER FLEXIBLE SPENDING

Sometimes called "transportation benefits," Commuter benefits help cover costs associated with traveling to and from work.

These benefits are often provided tax-free, meaning the cost or reimbursement for the benefits are not included in your taxable income.

COMMUTER BENEFITS EXAMPLES

Commuter benefits can pay expenses related to qualified parking, transit passes and rides in commuter highway vehicles. The benefits — along with the costs associated — will vary based on the workplace, but here are some common examples:

- Qualified parking is parking provided at or near your workplace. It also includes parking at or near the location from which you commute to work using mass transit, commuter highway vehicles or carpools. It doesn't include parking at or near your home.
- Transit passes include any passes, tokens, fare cards, vouchers or similar items that allow you to ride free of charge (or at a reduced rate) on mass transit or in a vehicle that seats at least seven adults (including the driver).
- Vanpooling is transportation between your residence and place of employment in a commuter highway vehicle that seats at least seven adults (including the driver).

HOW TO USE COMMUTER BENEFITS

Typically, you would enroll in Commuter benefits just like your other benefits, like health or dental insurance. There may be several options to choose from, so be sure to review your options carefully.

For 2024, the Commuter benefit limit is $315 per month for commuting and $315 for parking.

Depending on the option you select, you may receive a transportation voucher or pass. Other options may require you to pay for costs yourself, then be reimbursed by BRI.

HOW TO ENROLL IN YOUR FSA

- To access your BRI account, go to **Benefitresource.com**
- Company Code: **masterycharter**
- Member ID: SSN with no spaces or dashes
- You may submit and view recent claims through the website or BRI mobile

DOES THE BALANCE ROLLOVER?

Transit and Parking FSAs allow you to rollover the money from month-to-month, year-to-year as long as you are employed by Mastery.

- Healthcare FSAs allow rollover of up to $640 into the following plan year
- Dependent Care FSAs do not allow rollovers; however, there is a 2.5 month grace period after the plan year ends. This allows you to incur additional expenses towards any remaining balance