Agenda

• Pre-Tax Accounts Overview
• Who is eligible for each account?
• How Are the Accounts Funded?
• Mid-Year Election Changes
• Forfeiture Liabilities
• Questions?
Pre-Tax Accounts Overview

• Pre-Tax Accounts are set up to allow participants and employers to pay for medical and dependent care expenses with pre-tax funds.

• Employee contributions into pre-tax accounts are made before federal and state taxes are applied to payroll.

• Types of Accounts:
  • Dependent Care Spending Account (DCSA)
  • Flexible Spending Account (FSA)
  • Limited Flexible Spending Account (LFSA)
  • Health Reimbursement Arrangement (HRA)
  • Health Savings Account (H.S.A.)
## Pre-Tax Accounts Overview

<table>
<thead>
<tr>
<th>Account</th>
<th>Employer Sponsored?</th>
<th>Funded By</th>
<th>Contribution Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCSA</td>
<td>Yes</td>
<td>Employee</td>
<td>Limit is $5,000 per family per year.</td>
</tr>
<tr>
<td>FSA</td>
<td>Yes</td>
<td>Employee</td>
<td>Limit is $1,000 per year.</td>
</tr>
<tr>
<td>LFSA</td>
<td>Yes</td>
<td>Employee</td>
<td>Limit is $1,000 per year.</td>
</tr>
<tr>
<td>HRA</td>
<td>Yes</td>
<td>Employer</td>
<td>NCIA contributes $500/$1,000 per year.</td>
</tr>
<tr>
<td>H.S.A.</td>
<td>No</td>
<td>Employer &amp; Employee</td>
<td>IRS limit is $3,550/$7,100 per year. Catch-Up Contribution of $1,000 if aged 55 or older.</td>
</tr>
</tbody>
</table>

H.S.A. funds can be invested and any investment growth on H.S.A. funds is non-taxable. There is currently no maximum overall balance to which an H.S.A. can grow over time.
## Pre-Tax Accounts Overview

<table>
<thead>
<tr>
<th>Account</th>
<th>Expenses Allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCSA</td>
<td>Childcare/Daycare/Before or After School Care Expenses</td>
</tr>
<tr>
<td>FSA</td>
<td>All Section 213 Qualified Expenses</td>
</tr>
<tr>
<td>LFSA</td>
<td>Section 213 Qualified Dental or Vision Expenses</td>
</tr>
<tr>
<td>HRA</td>
<td>Section 213 Medical Expenses</td>
</tr>
<tr>
<td>H.S.A.</td>
<td>All Section 213 Medical, Dental &amp; Vision Expenses</td>
</tr>
<tr>
<td></td>
<td>COBRA Premiums while receiving unemployment</td>
</tr>
<tr>
<td></td>
<td>Medicare Supplemental Insurance premiums</td>
</tr>
</tbody>
</table>
Who is eligible for Pre-Tax Accounts?

• DCSA – Any participant who has qualified dependent care expenses.
• FSA – Any participant who does not enroll in Medical coverage through NCIA.
• LFSA – Any participant who enrolls in Medical coverage AND the H.S.A. through NCIA.
• HRA – Any participant who enrolls in Medical coverage through NCIA.
• H.S.A. – Any participant who enrolls in Medical coverage through NCIA.

Note: IRS rules prohibit an H.S.A. participant from having any other coverage in force at the same time – spouse coverage, Medicare, TriCare, etc.
Mid-Year Election Changes

• Generally, any Employer-Sponsored pre-tax account that allows an employee contribution requires that those contributions be irrevocable.

• Mid-Year changes to pre-tax contribution amounts can only be made in conjunction with a Qualified Life Event (QLE).
  • Marriage/Divorce
  • Birth/Adoption
  • Spouse Loss of Employment/Insurance Coverage
  • Employee Loss of Benefits Eligibility.

• H.S.A.’s are the exception – participants can change H.S.A. contributions at any time during the year subject to NCIA’s change policy.
Forfeiture Liabilities

• Most Pre-Tax Account contributions from an employee are “use it or lose it”.
  • DCSA – no rollover allowed.
  • FSA – can only roll over up to $500 from one year to the next.
  • LFSA – can only roll over up to $500 from one year to the next.
  • HRA – employer funding that is unused does not rollover.

H.S.A.’s are the exception; H.S.A. funds will rollover from one year to the next at 100% and will remain the property of the account holder until:
  • The funds are spent down to zero
  • The funds are cashed out upon the account holder reaching age 65
  • The account holder passes away and the H.S.A. balance becomes part of their estate.
Questions?

Thank you for your time!