Benefits Enrollment FAQs
Flexible Spending Accounts (FSAs)

COMPLETE PAYROLL SOLUTIONS

	Health FSA	Dependent Care FSA
What is it?	Tax-advantaged employer plan that reimburses employee medical expenses.	Tax-advantaged employer plan that reimburses employees for dependent care expenses.
What are some advantages to it?	• No federal income tax or employment tax on contributions. • Tax-free distributions for qualified medical expenses. • Employee can draw on the account for medical expenses before funds are placed in it.	• No federal income tax or employment tax on contributions. • Tax-free distributions for qualified dependent care expenses.
What expenses can it be used to pay?	Expenses specified by the plan that generally qualify for the medical and dental expenses deduction, but not traditional health insurance premiums.	Expenses that generally qualify for the child and dependent care expenses deduction, including nursery school and preschool expenses.
Which employees can have it?	Those enrolled in non-HRA group coverage and eligible under the rules of the plan, subject to the Section 105(h) and 125 nondiscrimination rules.	Generally all employees, subject to the Section 129 nondiscrimination rules.
Who can contribute to it?	Employers and employees.	Employers and employees.
How much can be contributed to it?	For 2018, up to $2,650.	For 2018, generally up to: • $5,000 for individuals or married people filing taxes jointly; or • $2,500 for married people filing taxes separately
Can employees carry over funds from year to year?	Generally no, but employers may: • Allow employees to carry over $500 to use in the following year; or • Provide a “grace period” of 2.5 months after the end of the plan year for employees to use the money in the account.	Generally, no.

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Is it portable for the employee?	No.	No.
What requirements must an employer satisfy?	1. Have a written Plan Document. 2. Distribute a Summary Plan Description (SPD) within 90 days of the employee becoming a plan participant. 3. Offer the health FSA as part of a cafeteria plan. 4. Offer employees traditional group health insurance. 5. If making contributions, meet the Section 105(h) and 125 nondiscrimination rules. 6. Comply with the rules on mid-year election changes. 7. Set the maximum benefit amount for each employee so that it does not exceed: Two times the employee's health FSA salary reduction election for the year; or if greater, $500 plus the amount of the employee's health FSA salary reduction election for the year. 8. Annually file IRS Form 720 and pay PCORI fees by July 31, if applicable.	1. Have a written Plan Document. 2. Notify eligible employees about the plan and communicate its rules regarding eligible expenses. 3. Comply with the Section 129 nondiscrimination rules. 4. If offered as part of a cafeteria plan, comply with the rules on mid-year election changes. 5. Annually report the amount of dependent care benefits an employee receives in box 10 of Form W-2.
Can employers offer or contribute to it without also offering a group health plan?	No.	Yes.
Is it subject to COBRA?	Yes, but may be provided on a limited basis	No.
Where can I learn more?	• IRS Publication 502 • IRS Publication 969 • DOL Guidance	• IRS Code Section 129 • IRS Publication 503

Benefits Enrollment FAQs
Roth 401(k) and Pre-Tax 401(k)

	Roth 401(k)	Pre-Tax 401(k)
Contributions	Designated Roth employee elective contributions are made with after-tax dollars.	Traditional, pre-tax employee elective contributions are made with before-tax dollars.
Income Limits	No income limitation to participate.	No income limitation to participate.
Maximum Elective Contribution	Aggregate* employee elective contributions limited to $18,500 in 2018 (plus an additional $6,000 for employees age 50 or over).	Same aggregate* limit as Designated Roth 401(k) Account.
Taxation of Withdrawals	Withdrawals of contributions and earnings are not taxed provided it's a qualified distribution, meaning the account is held for at least 5 years and made: • On account of disability, • On or after death, or • On or after attainment of age 59½.	Withdrawals of contributions and earnings are subject to Federal and most State income taxes.
Required Distributions	Distributions must begin no later than age 70½, unless still working and not a 5% owner.	Same as Designated Roth 401(k) Account.

* This limitation is by individual, rather than by plan. You can split your annual elective deferrals between designated Roth contributions and traditional pre-tax contributions, but your combined contributions cannot exceed the deferral limit - $18,500 in 2018 ($24,500 in 2018 if you're eligible for catch-up contributions).