



# MEDICAL EXPENSE FLEXIBLE SPENDING ACCOUNT

## What is a Medical FSA?

A medical FSA is an employer-sponsored savings account that allows you to set aside pretax dollars through a payroll deduction. You are then able to be reimbursed for your qualified medical and dental expenses.

## What do I need to know?

- One of the key benefits of a flexible spending account is that the funds contributed to are deducted from your earnings before taxes, lowering your taxable income. You will pay for medical expenses out of pocket, then submit documentation to receive reimbursement from the FSA, meaning medical expenses are also untaxed.
- The IRS sets an annual limit for how much you can contribute to an FSA. For 2025, the contribution limit is \$3,300. You decide how much you want to contribute for the year, and the payroll department will set up a bi-weekly deduction.
- FSAs operate with a “use it or lose it” policy, meaning that you must use all of the money you deposited into the account for qualified expenses by the end of the plan year or you will forfeit the remaining balance.
- You will need to report your FSA contributions on your federal tax return. Also note that participation in a dependent care FSA is not automatic—you must reenroll every year by the enrollment deadline.
- You can only change the amount of money that you choose to have withheld from your paycheck for the FSA during annual open enrollment or within 31 days of a qualifying life event.

## How does it work?

Employees authorize a specified amount to be withheld from their paychecks each pay period. Once you have paid for expenses that qualify for reimbursement from the FSA, you will need to provide MOISD Business Office Specialist with itemized receipts or proof of payment. The receipts must include specific information to prove that the payment was for qualified expenses:

- The name of the person who received the service
- The doctor/provider that delivered the service
- The date when services were provided
- A detailed description of the service provided
- The amount paid for the service



# MEDICAL EXPENSE FLEXIBLE SPENDING ACCOUNT

## Qualified Expenses

You can only use the money for bills that meet the IRS definition of eligible dependent care service. This means that the services must be necessary for you and/or your spouse to work and earn an income.

Qualified expenses include:

- Medical expenses for you, your spouse and your IRS dependents, whether they are covered under your medical plan or not.
- Medical equipment, including diagnostic devices, crutches, and even bandages.
- Prescription medications, including over-the-counter (OTC) drugs for which you had a prescription, as well as insulin.
- Medical co-pays, coinsurance and deductible payments.
- Dental cleanings and treatments
- Chiropractic care

## Non-Qualified Expenses

Expenses that **do not** qualify under IRS guideline as FSA-approved, and are therefore ineligible for reimbursement include:

- Cosmetic or elective surgery
- Controlled substances
- Non-prescription medicines and personal use items
- Gym or health club fees
- Vitamins and supplements

## Additional Resources

- MOISD [Medical Expense Reimbursement Plan Document](#)
- IRS [Publication 502: Medical and Dental Expenses](#) outlines expenses that qualify for FSA reimbursement.