



Flexible Spending Account

The City of Montgomery has two flexible spending plans. One allows you to set aside funds on a pre-tax basis each year for out of pocket medical expenses and the other allows you to do the same for Dependent Care expenses. At present time, you can set aside up to \$2500 for qualified Medical Expense and \$5000 for qualified Dependent Care. The money is paid back through payroll deduction. You must sign up for these plans every year during Open Enrollment, which is May 21 – July 18, 2014, or within 60 days of your employment date. The flexible spending plan year begins on September 1 and ends on August 31 the following year.

Setting money aside for medical expenses is just like getting a tax and interest free loan from the City of Montgomery. If you set aside \$2500 you can use all the money for qualified Medical Expense on September 1 or you can use it any time during the plan year.

Unlike Medical Expense FSAs, Dependent Care FSAs are not "pre-funded"; employees cannot receive reimbursement for the full amount of the annual contribution on day one. Employees can only be reimbursed up to the amount they have had deducted during that plan year.

There are two ways to access your flexible spending funds. One is through the use of a debit card that you will be issued when you first open the account. If the provider, store or pharmacy accepts the card you use it like any other debit card, with one exception, it will only allow eligible expenses to be processed. If your provider, store, or pharmacy does not accept the debit card you will have to file a manual claim.

Carry Over

Revenue Ruling 2002-41 includes an option for a Section 105 Plan to manage and capitalize on future deductibility of unused portions of a medical expense account. If an employee does not use their maximum, they can carry over up to \$500 to the next year.

The Carry Over applies to all employees on the plan. The maximum amount available under this benefit will accumulate over plan years and will be managed on an employee-by-employee basis. The business owner may choose to set a maximum Carry Over amount. Meanwhile, employees who utilize the Carry Over will have the amount available to them until the business ceases to exist, the plan terminates, there are zero Carry Over dollars remaining, or the employee becomes ineligible.