



Spending Account Guidelines

IRS Maximums – For plan years beginning in 2025

Health Care Flexible Spending Account (FSA) Annual maximum amount - \$3,300

Dependent Care Account (DCA) Annual maximum amounts:

- \$5,000 per household or
- \$2,500 if married, filing separately

Annual minimum amount for all accounts - \$100

Carryover maximum amount - \$660

Health Care Flexible Spending Account (FSA)

Allows pre-tax reimbursement of eligible medical expenses not covered or reimbursed by insurance

Dependent Care FSA (DCA)

Allows pre-tax reimbursement for childcare or adult dependent care expenses necessary to allow you or your spouse to work, look for work, or attend school full-time. Eligible family members include a child, up to age 13; and/or a person whom you claim as a dependent on your Federal income tax return and who is mentally or physically incapable or self-care

Balance in an FSA*

FSAs are generally “use it or lose it” plans. This means that amounts in the account at the end of the plan year or time of plan termination (due to ineligibility), cannot be accessed.

The plan can provide for either of the below:

- Grace period of up to 2.5 months after the end of the plan year – the full amount of the funds remaining at the end of the plan year can be used for up to 2.5 months after the end of the plan year
- Carryover – up to \$640 of unused amounts remaining at the end of the plan year can be reimbursed for qualified expenses incurred in the following plan year.

A plan may allow either the grace period or a carryover, but it may not allow both.

**The employer is NOT permitted to refund any of a remaining balance or require employees to “pay back” overspent funds due to participation ending during the plan year. The Qualified reservist distribution is the only exception to this rule.*

Uniform Coverage Rule

The uniform coverage rule means that employers cannot deduct additional funds from an employee's final paycheck to make up the difference if the employee leaves their job before the end of the plan year and their contributions have not yet equaled what they've used from their FSA.

This rule also means that the employer is NOT permitted to refund any of a remaining balance or require employees to “pay back” overspent funds due to participation ending *during the plan year. The Qualified reservist distribution is the only exception to this rule.*

Under Prop. Treas. Reg. §1.125 Uniform Coverage Rule, the plan has a risk of loss to both the Employer and the Employee.

- Employer will experience a loss if an employee utilizes more FSA funds than contributed and the plan is terminated. Participant repayment is not allowed under the Section 125 FSA plan.
- Employee/participant will experience a loss if the plan ends with unused funds available.

Eligible Dependents for FSA

Qualified medical expenses are those incurred by the following persons.

1. You are your spouse.
2. All dependents you claim on your tax return.
3. Any person you could claim as a dependent on your tax return except:
 - a. The person filed a joint tax return
 - b. The person had gross income of \$4,700 or more; or
 - c. You, or your spouse if filing jointly, could be claimed as a dependent on some else's tax return
4. Your child under the age of 27 at the end of the tax year.

Ineligible FSA Expenses

You cannot receive reimbursements from your FSA for the following expenses

- Amounts paid for insurance premiums
- Amounts paid for long-term care expenses or premiums
- Amounts that are covered or reimbursed under your health plan

Sub-Chapter S Corporations and Flexible Spending Accounts

General partners, proprietors and shareholders who own more than 2% of the outstanding stock of an S Corporation cannot participate in the Section 125 Plan.

Flexible Spending Account COBRA

Only must be offered if the maximum payments for a year of COBRA equals or exceeds the maximum reimbursement available under the FSA. If the Qualified Beneficiary (QB) has a zero or over spent account balance, COBRA would NOT be offered.

Dependent Care Account Reimbursement

AWM will reimburse participants via direct deposit each pay period the amount that is deducted pre-tax for the DCA benefit on that payroll. The FSA debit card cannot be used for DCA expenses.

The DCA deductions are reported on the employee's W2 Form to be reported on the employee's federal income tax return. The Care Providers name, Address, Federal Identification Number (FEIN/SSN), and amount paid are reported on the Form 2441. Since this information is reported and validated on the federal income tax return, no claim forms or care provider information is required to be reported to AWM.

Participant Access

AWM customer service is available for participants at 800.723.8908 or support@awm.cc.

Participant portal available at www.awm125.com along with a Mobile App.



AWM
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