What is A Flexible Spending Account (FSA):

1. A FSA is tax break under the IRS Code which grants employees a choice between tax-free benefits and cash
2. Commonly referred to as cafeteria plans, Section 125 plans or POP (Premium Only Plans) plans
3. Provides the vehicle for employees to reduce their pay for insurance premiums, out-of-pocket medical and dental expenses and dependent care expenses without paying federal, state or FICA taxes, saving at least 30% in taxes on their election
4. Employers save between 1.45%- 7.65% in FICA taxes based on employee elections

Employer Tax-Savings Example

XYZ Company has 10 Employees	Without an FSA Plan	With an FSA Plan
Annual payroll	$300,000	$300,000
Employee-Paid Premiums	0	-24,000
Unreimbursed Medical Expenses	0	-3,000
Dependent Daycare Expenses	0	-10,000
Taxable Payroll	$300,000	$263,000
FICA Tax (7.65%)	$22,950	$20,120
Savings	**0**	**$2,830**

Employee-Paid Premiums
Based on insurance premiums averaging $200 per month per employee.

Unreimbursed Medical Expenses
Based on four employees contributing an average of $62.50 per month.

Dependent Daycare Expenses
Based on two employees contributing an average of $417.00 per month.

Note: Actual savings may vary depending upon specific tax situation. Social security benefits could be affected.