

Update: NEW ELIGIBLE POPULATION!

- Since the 25 September Flexible Spending Accounts (FSA) webinar, the Department has expanded eligibility to an additional Service member population.
- **Members of the National Guard performing Active Guard Reserve (AGR) duty** are now eligible to enroll in an FSA. These members are also referred to as Service members performing duty pursuant to Title 32 U.S.C. 502(f).
- This change applies to eligibility listed on slides 11, 13 and 28.



Welcome!



Visit the event page to download a copy of the webinar slides and any additional resources.



Select **'Everyone'** from the drop-down menu when commenting in the chat pod.



Email us if you need tech support or have questions.

Contact@OneOp.org

Flexible Spending Accounts: A Tax-Advantaged Way to Pay for Expenses

Flexible Spending Accounts: A Tax-Advantaged Way to Pay for Expenses



Event Materials

Visit the **event page** to download a copy of the presentation slides and any additional resources.



Continuing Education

This webinar has been approved to offer continuing education credit. Please stay tuned for more information!



OneOp

Readiness. Knowledge. Network.

This material is based upon work supported by the National Institute of Food and Agriculture,
U.S. Department of Agriculture, and the Office of Military Family Readiness Policy,
U.S. Department of Defense under Award Number 2023-48770-41333.



Flexible Spending Accounts: A Tax-Advantaged Way to Pay for Expenses

September 2024

HEALTH  CARE
FLEXIBLE SPENDING ACCOUNT

DEPENDENT CARE
FLEXIBLE SPENDING ACCOUNT



U.S. Department of Defense

Today's Presenters



U.S. Department of Defense



Megumi Murakami

ROLE

Executive Director, Flexible Spending Accounts

Office of the Undersecretary of Defense for
Personnel and Readiness



Susan Mitchell

ROLE

Executive Director, Department of Defense Armed
Forces Tax Council

Attorney, DOD Office of General Counsel (Fiscal)

Short Answer Response



What is one thing you're hoping to learn more about today? Why did you prioritize attending this webinar?

Share in the chat-pod



Learning Objectives

By the end of this webinar, attendees will be able to:

1. Understand FSA enrollment requirements and account management.
2. Explain how a Flexible Spending Account (FSA) works and why it can help eligible Service members save money by reducing your taxable income.
3. Learn how to tailor FSAs to Service member-specific circumstances.
4. Articulate the differences between Dependent Care Flexible Spending Account (DCFSA) and Health Care Flexible Spending Account (HCFSA).



Photo via DVIDS.

What Are FSAs?



U.S. Department of Defense





Flexible Spending Accounts (FSAs)

FSAs are an optional tax benefit that allow eligible participants to set aside pre-tax earnings to pay for health and dependent care expenses. Members of the Uniformed Services participate in the Federal Flexible Spending Account program (FSAFEDS) administered by the U.S. Office of Personnel Management (OPM).



Dependent Care Flexible Spending Account (DCFSA)

Pays for dependent care expenses so that participants (and their spouse, if married) can work, look for work, or attend school full time



Health Care Flexible Spending Account (HCFSA)

Pays for eligible medical, dental, and vision care expenses

BENEFITS OF AN FSA



Lowers taxable income



Budget for known expenses

Who Is Eligible to Participate?



U.S. Department of Defense

Members of the Uniformed Services that are...

Eligible:

- Members of the regular (active) component
- Members of the reserve component performing active Guard and Reserve (AGR) duty pursuant to 10 USC 12301(d).

Ineligible:

- Members of the reserve component (except for AGRs on 10 USC 12301(d)).

Dependent Care FSA (DCFSA)



U.S. Department of Defense



DCFSA Eligibility Requirements



U.S. Department of Defense

Eligible members of the uniformed services include:

- Members of the regular (active) component
- Member of the reserve component performing active Guard and Reserve (AGR) duty pursuant to 10 USC 12301(d).

● **Dependent Requirement:** Must have a dependent under the age 13 or who is mentally or physically unable to care for themselves, regardless of age. The dependent must be a tax dependent.

..... ● **Note:** Tax dependent is not synonymous with Defense Enrollment Eligibility Reporting System (DEERS) dependent.

● **If applicable, Spouse Requirement:** If the Service member has a spouse, their spouse must be **working, looking for work, or attending school full time** except for spouses physically or mentally incapable of self-care.

DCFSA Eligibility Check

“ *I am an active component E-3 with a new baby. My spouse is going to school full-time, and we use a babysitter so that we can both work and study. We heard about the new DCFSA benefit but aren't sure if we are eligible or if it makes sense for our family. Is a DCFSA right for us?* ”

Is this family eligible for a DCFSA?

YES

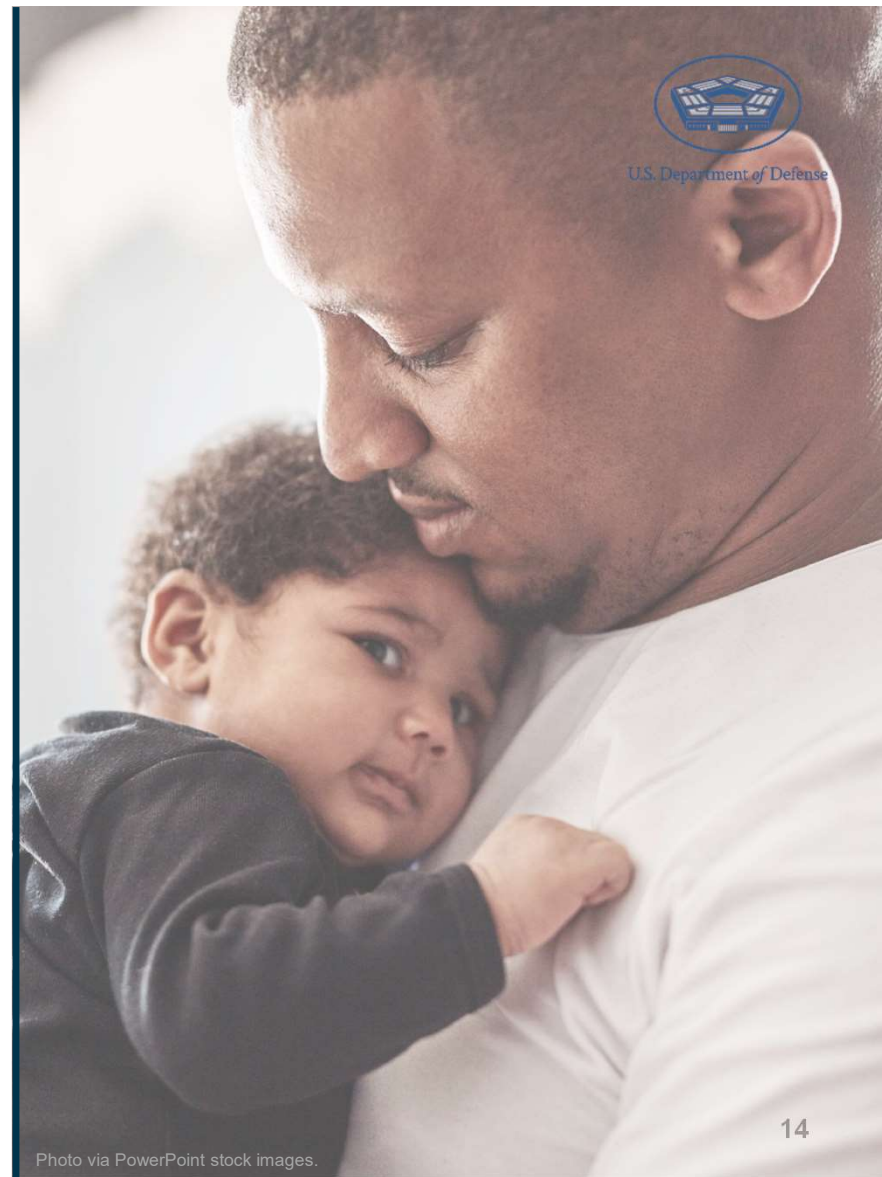


Photo via PowerPoint stock images.

DCFSA Eligibility Check

“I am a female active component E-7, and I just recently finalized my divorce. My former husband will have custody of our child during the school year, and I would like to set up a DCFSA to help pay for my share of the costs for after-school care. Is a DCFSA right for me?”

Is this family eligible for a DCFSA?

MAYBE

For DCFSA care to be an eligible expense, the dependent must be claimed on your taxes.



Photo via PowerPoint stock images.

How Much Should Participants Contribute?



U.S. Department of Defense

Members of the uniformed services can contribute from **\$100 up to \$5,000** to a DCFSA per household.*

**The election maximum is determined by the Internal Revenue Service and not indexed to inflation.*

Consider the following in choosing how much to contribute:

- Funds cannot be carried over to the next plan year.
- Funds available through payroll deductions.
- Eligible Expenses.** Do you have expenses that are eligible for reimbursement through a DCFSA?
- Spousal requirements.** Household maximum depends on income of lower earning spouse.
- Child and Dependent Care Tax Credit (CDCTC).**
- If applicable, military fee assistance and child care subsidies.*

Which of These Expenses are DCFSA-eligible?



U.S. Department of Defense

1. Preschool

2. Au pair

3. Adult day care

4. Child care

5. Before and after school programs

6. Summer day camp

7. Field trips

8. Transportation

9. Overnight camps

Use the numbers associated with each expense to place your answer in the chat.

Were You Right?



U.S. Department of Defense

1. Preschool

2. Au pair

3. Adult day care

4. Child care

5. Before and after school programs

6. Summer day camp

7. Field trips

8. Transportation

9. Overnight camps

10 WAYS TO USE YOUR DCFSA

VISIT FINRED
TO LEARN MORE



For a full list of expenses, visit [FSAFEDS.gov](https://www.fsa.feds.gov).

DCFSA Spousal Considerations



U.S. Department of Defense

If married, spouse employment status impacts how much a participant can contribute to a DCFSA.

DCFSA is designed to support families so both parents can work or look for work. To set aside the full \$5,000, both spouses must be working and earning at least \$5,000/year. If one spouse earns less than \$5,000 /year, the contribution amount is capped at their total annual earning amount.

Per the IRS, exceptions to this rule are:

- 1. Full-time Students**
- 2. Incapacitated Adults**, who are mentally or physically incapable of self-care.

In both exceptions, the IRS assumes an earned income of up to \$3,000 per year for one dependent, and up to \$5,000 per year for more than one dependent.



[Military Spouses Guide](#)

[Click here](#) to check out our guide for military spouses for helpful information.

Marital Tax Filing Status:

Married Filing Jointly. If the Service member is married filing jointly, the household maximum is \$5,000 (or the yearly income of the lower earning spouse if less than \$5,000).

Married Filing Separately. The participant's dependent must be claimed on their tax return to be an eligible DCFSA dependent. If participant is married filing separately, they may only contribute up to \$2,500 per taxpayer.

Divorce. Only the parent who claims the dependent on their tax return can use a DCFSA for this dependent's expenses.

Here's an example:

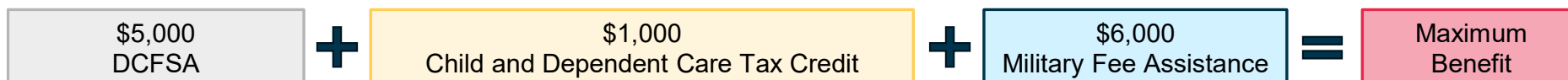
I am married to an active component E-5, and we have two young children. I work part-time and make about \$3,500 total for the year. Since I am the lower-earning spouse, our maximum DCFSA contribution is \$3,500.

DCFSA Tax Implications



U.S. Department of Defense

Tax benefits can be used simultaneously to help members of the uniformed services maximize their benefits



Eligible participants are allowed to take advantage of DCFSA, the Child and Dependent Care Tax Credit and military fee assistance provided they adhere to the IRS guidance on how to use these tools together.

- The tax-advantages can total up to the IRS maximum of \$6,000, if the participant has two or more dependents.
- Participant can use DCFSA funds to pay for \$5,000 of child care expenses, and if they have two children.
 - Participant can also claim \$1,000 of the CDCTC on their tax return, totaling \$6,000.
- If the participant has only one dependent, they are only permitted up to \$3,000 of expenses claimed in the CDCTC in a year so would be best served by using the \$5000 maximum.
- If the participants uses a DCFSA to reimburse a dependent care expense, they cannot "double dip" and claim the same expense for the purposes of the Child and Dependent Care Tax Credit.
- Military Fee Assistance can be used in conjunction with a DCFSA, meaning the participant may use DCFSA funds to pay for child care expenses above and beyond the by military fee assistance payment

EARNED INCOME TAX CREDIT (EITC)

EITC may apply to families with under \$63,398 in adjusted gross income (AGI) [varying by tax year] and varies based upon the number of dependents.

Can the participant use both benefits?

- Service members can claim the EITC while using a DCFSA.
- However, the DCFSA can interact with different tax benefits in a variety of ways and may not be best to claim both in every situation.

Assistance Programs



U.S. Department of Defense

Department of Defense FEE ASSISTANCE

Child Care in Your Home (CCYH) or Military Child Care in Your Neighborhood (MCCYN)

Can a family that is receiving DoD child care fee assistance also use a DCFSA?

- Service members receiving **DoD child care fee assistance (MCCYN or CCYH)** **CAN** also participate in a DCFSA. The programs are treated differently for tax purposes.
- **However**, if using **non-DoD fee assistance**, the combination of DCFSA and non-DoD Service member dependent care fee assistance cannot exceed \$5,000 per tax year.
 - For example, if a non-military spouse of a Service member receives dependent care fee assistance from their employer, this assistance cannot be stacked with a DCFSA.

PUBLIC ASSISTANCE PROGRAMS

Supplemental Nutrition Assistance Program (SNAP), the Basic Needs Allowance (BNA), etc.

Will DCFSA enrollment impact eligibility for public assistance programs?

- Contributions to a DCFSA are included as part of a family's gross income and may be included in calculations for:
 - Public assistance programs such as **SNAP and WIC**;
 - Or for determining eligibility for certain DoD benefits like the **Basic Needs Allowance (BNA)** or the **Family Supplemental Assistance Program (FSSA)**.
- Eligibility impacts will vary based on a number of family dynamics, such as size, total income, etc.

FSAFEDS Tools to Calculate Savings



U.S. Department of Defense

FSAFEDS.gov offers two tools to calculate savings from participating in the tax benefit.

Savings Calculators

Health Care FSA Savings Calculator

Health Care FSA | Limited Expense FSA

The FSAFEDS Health Care Flexible Spending Account (HCFA) is an easy way to save money on items and services you already buy. Use the calculator below to estimate your annual, out-of-pocket health care costs, including eligible over-the-counter items, and see just how much you could save by enrolling in the HCFA, if you need a little help. Take a look at the [eligible expenses list](#). Sign up for savings with FSAFEDS!

NOTE: You can only enroll in FSAFEDS during the Federal Benefits Open Season, your new hire election period, or if you experience a [Qualified Life Event \(QLE\)](#).

Your savings next year

\$0

Deduction per pay period: \$0.00

CALCULATE

FSAFEDS Savings Calculators. Find a savings calculator for HCFA and DCFSA on FSAFEDS.gov.

Dependent Care Tax Credit Worksheet

Dependent Care Tax Credit Worksheet

Use the worksheet below to determine whether a Dependent Care FSA or Dependent Care Tax Credit works best for your specific tax situation. Once you have completed the worksheet, compare your Spendable Income (line 14) in each column to determine which method will benefit you most. This worksheet does not replace the advice of a tax advisor, so please consult your tax advisor for more details.

Please note: If either you or your spouse had no earned income for the year (unless attending school full-time), you are not eligible for the Dependent Care FSA. For more information, see the [Dependent Care FSA FAQs](#) on the FSAFEDS website.

Line	Instructions	Dependent Care Flexible Spending Account	Federal Dependent Care Tax Credit
1	Annual salary If married, also include your spouse's income.	\$ 0.00	\$ 0.00
2	Annual dependent care expenses	\$ 0.00	\$ 0.00
3	Pre-tax dependent care expenses Please add the amount in line 2 or \$5,000 (or \$2,500 if you are married and filing separately), whichever is less.	\$ 0.00	N/A
4	Adjusted salary Subtract line 3 from line 1	\$ 0.00	\$ 0.00
5	Federal tax rate Enter percentage as a decimal (e.g. 30% = .30)	0.00%	0.00%
6	Federal income taxes Multiply line 4 by line 5 (your federal tax rate %)	\$ 0.00	\$ 0.00
7	Social Security and Medicare taxes Multiply line 4 by 7.65%	\$ 0.00	\$ 0.00
8	State tax rate Enter percentage as a decimal (e.g. 7.5% = .075)	0.00%	0.00%
9	State income taxes (if applicable) Multiply line 4 by line 8 (your state income tax rate)	\$ 0.00	\$ 0.00
10	Total taxes Add lines 6, 7, and 9	\$ 0.00	\$ 0.00
11	Take-home pay after taxes Subtract line 10 from line 4	\$ 0.00	\$ 0.00
12	After-tax dependent care expenses Subtract line 3 from line 2	\$ 0.00	\$ 0.00
13	Tax credit (see worksheet below)	N/A	\$ 0.00
14	Spendable income Subtract line 12 from line 11, then add line 13	\$ 0.00	\$ 0.00

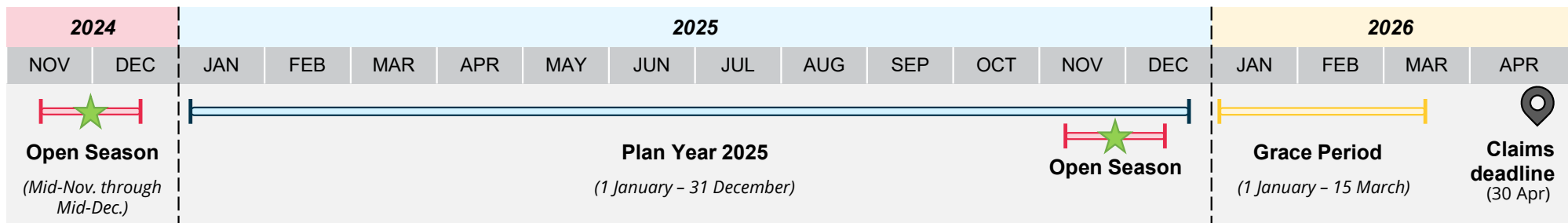
www.FSAFEDS.com | 877-FSAFEDS (372-3337) | 99-FSAFEDS-Dependent-Care-Tax-Credit-Worksheet_202005

Dependent Care Tax Credit Sheet. Worksheet can help determine whether a DCFSA or the Dependent Care Tax Credit is best for the individual's specific tax situation. The Department recommends speaking to a tax consultant in addition to using this worksheet.

DCFSA Generalized Timeline for Plan Year



U.S. Department of Defense



- Enroll during **Federal Open Enrollment Season** (*mid-November to mid-December*)
- Select contribution amount
- Select the number of pay periods for the contribution to be deducted

- DCFSA funds are available after each pay period.
- Submit claims for reimbursement or payment directly to a provider.
- Change enrollment if experiencing a QLE.
- Re-enrollment in mid-November through mid-December.

Expenses can be incurred through March 15.

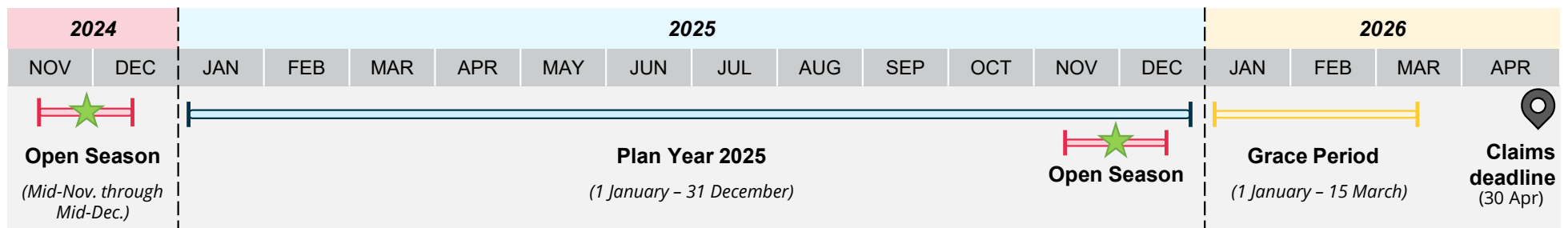
Claims can be submitted through April 30.



DCFSA Scenario: Putting It All Together

SCENARIO

I am an active component O-4. My spouse and I both work full time and we have two children, ages 10 and 12. During the school year we do not need child care but over the summer we put our kids in day camp so that both my spouse and I can continue to work. Summer day camp costs us \$4,800 per year. I am interested in enrolling in a DCFSA to pay for day camp with tax free dollars.



- Enroll and select contribution amount
- Calculate how much to set aside from pay and determine in what month the participant plans to reimburse themselves to ensure the \$4,800 is available by the time they need it.
- **Note:** Participant will only be reimbursed for money available in their account so planning contribution pace is important.

- **Step 2:** Regular contribution is deducted from pay pre-tax and put into DCFSA account
- Funds are withdrawn automatically from pay at the start of the calendar year
- Funds become available as they are withdrawn from account
- **Step 3:** Obtain day camp payment receipts
- **Step 4:** Submit claims through FSAFEDS account. Reimbursement will arrive by preferred method
- **Step 5:** Re-enroll in DCFSA during Open Season, mid-Nov through mid-Dec

Note: All claims must be submitted by April 30

DCFSA Resources



U.S. Department of Defense

Help us get the word out about DCFSA's and educating Service members and their families on how this benefit can help them save on dependent care expenses.

2 WAYS TO SAVE ON CARE

DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT Open Season 2024

- Set aside \$100 - \$5,000*
- Use for day care, elder care, before and after school care, summer day camps, and more.

HEALTH CARE FLEXIBLE SPENDING ACCOUNT Coming March 2025

- Set aside \$100 - \$3,200*
- Use for dental, vision, family copays, diagnostic tests, and more.

Choice. Convenience. Tax-Free.

*Contributions are reported by the DOD.

PLAN WITH A FINANCIAL COUNSELOR TODAY

LEARN MORE

Poster

Is a Dependent Care FSA Right For Your Family?

YOU MAY BE ELIGIBLE IF...

- You pay for care for a dependent that you and your spouse each work, look to work, or are actively looking for.
- You are paying for the care of a person who is under the age of 13 or a person of any age who is incapable of self-care.
- You claim that person or person as a dependent on your federal tax return.
- You are a uniformed services member in the:
 - Regular service component, or
 - Reserve component performing active Guard and Reserve (AGR) duty pursuant to 10 USC 1010101 or Coast Guard Reserve Component Manager (RCM) duty.

If all four statements above are true for you, you may be eligible to use the DCFSA benefit to set aside pre-tax earnings to pay for eligible dependent care expenses.

BUDGETING & ELIGIBLE EXPENSES

A DCFSA allows up to \$5,000 of pre-tax earnings per household, per year for eligible dependent care expenses.

- Spouse
- Both spouses must have earned income.
- Contributions are limited to amount equal to or lesser than your household's unadjusted earned income for the tax year and to a total \$5,000 per family.
- Eligible dependent care expenses are expenses that allow you and your spouse to work, look for work, or go to school and must be reimbursed by means of direct reimbursement.

Eligibility Guide

10 WAYS TO USE YOUR DCFSA

Need ideas for ways to spend your remaining Dependent Care Flexible Spending Account (DCFSA) funds? The below guide helps you think of creative ways to use your DCFSA. Remember to avoid doubling back, all expenses must be incurred by March 16, and all claims must be submitted by April 30 of the following year. Visit [FSAAFEDS.com/resources](https://www.fsaafeds.com/resources) to learn more about eligible expenses and more.

- Learning Workshops**: Learning workshops or classes during school breaks (e.g. reading camps, writing workshops, etc.) is a great way to keep your child engaged in learning while you work. These workshops are covered by your DCFSA.
- Before and After School Programs**: If you work extended hours and need additional care for your school-aged children, consider using a DCFSA to help pay for such flexible childcare options.
- Household Cleaner**: You must first qualify as a housekeeper that helps care for your child(ren), you must use your DCFSA to pay your housekeeper, but only for the portion attributable to child care.
- Summer Camp**: As a soldier down close, parents are on the lookout for engaging activities to keep kids occupied. Use your DCFSA to help fund summer camps for your children.
- Overnight Care**: This occurs when Service members are on exercises, single deployments, etc. In these instances, overnight care costs are eligible for coverage, as long as you provide documentation that verifies the care enables you and your spouse(s) to apply to work.
- Preschool Tuition**: For the little ones who can't yet attend school, preschool is considered an eligible expense under the DCFSA program. Use your DCFSA to help your little ones get a jump start on their education.
- Emergency Child Care**: Unexpected TDY or AFD changes? Use your DCFSA for immediate, emergency child or adult care services.
- Babysitting By Your Family Members**: Unpaid TDY or AFD changes? Use your DCFSA for immediate, emergency child or adult care services.
- As Pair/Partny**: Think right, your DCFSA can be used to pay for expenses related to employing your spouse or AFD partner, as long as the care is for an eligible dependent (e.g., a child under the age of 13).
- Adult Day Care**: Have an elderly parent or incapacitated dependent that you provide care for? Care and other similar non-medical adult care programs are eligible expenses under a DCFSA.

10 Ways to Use DCFSA

Frequently Asked Questions about the DCFSA Benefit

Below are FAQ about the DCFSA benefits for Department of Defense service members and civilian employees. Questions are categorized by subject for easy searchability. While the FAQ may provide answers to your DCFSA questions, it is recommended to consult a **personal financial manager or counselor** or **tax consultant** for a comprehensive understanding of how the DCFSA benefits can affect your family's financial and tax situation. These services are available free of cost for service members and their families through Military OneSource and the Office of Financial Readiness (FINRED).

- About FSAFEDS
- About DCFSA
- Enrollment & Elections
- Eligibility & Eligible Expenses
- Planning & Budgeting
- Spouse Employment Considerations
- Tax Implications

Start typing to search Search All FAQs

What is FSAFEDS?

Who administers FSAFEDS?

If a service member does not have access to the internet (e.g., due to deployment or training), can a spouse or other individual be

FAQs

DCFSA CLAIMS 101
A Service Member's Guide to Claim Submissions

To be reimbursed for your Dependent Care Flexible Spending Account (DCFSA) eligible expenses and avoid forfeiting funds, you must submit a claim. Use the below guide to learn everything you need to know about submitting a claim.

HOW IT WORKS

Submitting and managing your DCFSA is easy as outlined in the below four simple steps:

- ENROLL**: Enroll in a DCFSA on FSAFEDS.com, verify the amount you wish to contribute.
- FUNDS DEPOSITED INTO DCFSA**: Funds are credited to your DCFSA account and debit card is issued. Funds are available for use within 2 business days.
- FILE A CLAIM**: Submit your receipt to your DCFSA eligible expense and submit a claim for reimbursement. Claims are processed in 2 business days.
- GET REIMBURSED**: Your funds will be deposited to your account, generally by direct deposit or check.

TO FILE A CLAIM

FSAFEDS offers simple and easy ways to submit claims for reimbursement.

- ONLINE
- VIA FSAFEDS APP
- MAIL OR FAX*

RECEIPT REQUIREMENTS

Save your receipt. Whichever method you choose to submit a claim, you will be required to provide necessary documentation such as a receipt. Documentation receipts must include the following:

- Dependent's Name
- Provider's Name
- Date of Service
- Type of Service
- Cost
- PRO TIP: FSAFEDS accepts member receipts, just make sure it contains a signature and the above required information.

DCFSA Claims 101

Visit [FINRED](https://www.fsaafeds.com) to access FSA education resources.

Health Care FSA (HCFSA)



U.S. Department of Defense





U.S. Department of Defense

Recap: What is an HCFSA?

- Health Care Flexible Spending Accounts (HCFsAs) allow Service members to set-aside **pre-tax earnings** to pay for eligible **health, medical, dental and vision expenses**.
- Service members or their families sometimes must pay out-of-pocket for certain health care expenses to supplement the comprehensive coverage offered through TRICARE. HCFsAs allow members to save while paying for those costs.

Am I Eligible for an HCFSA?



U.S. Department of Defense

Health Care Flexible Spending Accounts are **COMING SOON** with a special enrollment period of **March 3 to 31, 2025!**

Eligible members of the Uniformed Services:

Members of the regular (active) component

Member of the reserve component performing active Guard and Reserve (AGR) duty pursuant to 10 USC 12301(d).

- ☐ There are no additional eligibility requirements.
- ☐ All Service members in the categories above are eligible regardless of marital status, income level or number of dependents.

How Much Should I Contribute to My HCFSA?



U.S. Department of Defense

Members of the Uniformed Services can contribute between **\$100 up to \$3,200** to a HCFSA per individual.

**The election maximum is determined by the Internal Revenue Service and is indexed to inflation.*

Consider the following in choosing how much to contribute:

- Funds can carry over to the next year.** \$640 can be carried over to next plan year, if Service member re-enrolls in the benefit during Open Season.
- All Funds available immediately.** Entire election available in the participant's account following first pay period after enrolling. The effective date of their account is 1 Jan (if enrolled in Open Season) OR the day after enrolling (if through Qualifying Life Event).
- Eligible Expenses.** Does the Service member have expenses that are eligible for reimbursement through an FSA?



If both earners in a household are eligible for an HCFSA through their employer and maintain two separate accounts, the household can jointly contribute between \$200 to \$6,400 per year.

(For example, dual military couple, military member and federal employee, etc.)

Which of These Expenses are HCFSA-eligible?



U.S. Department of Defense

1. Copays and deductibles

2. Insurance premiums

3. Massage therapy

4. Toothpaste, toothbrush,
and floss

5. Diapers

6. Feminine hygiene products

7. Dental exams, cleanings
and braces

8. Vitamins and supplements

9. Vision exams, contact
lenses, glasses, and laser eye
surgery

Use the numbers associated with each expense to place your answer in the chat.

Were You Right?



U.S. Department of Defense

1. Copays and deductibles

2. Insurance premiums

3. Massage therapy

4. Toothpaste, toothbrush,
and floss

5. Diapers

6. Feminine hygiene products

7. Dental exams, cleanings
and braces

8. Vitamins and supplements
(Letter of Medical Necessity
required)

9. Vision exams, contact
lenses, glasses, and laser eye
surgery

For a full list of expenses, visit [FSAFEDS.gov](https://www.fsa.feds.gov)

Eligible Expenses



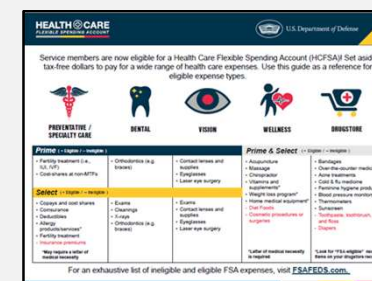
U.S. Department of Defense

COMMON **ELIGIBLE** EXPENSES

- Medical copays, coinsurance, and deductibles
- Dental exams, cleanings, X-rays, and braces
- Vision exams, contact lenses and supplies, eyeglasses, and laser eye surgery
- Wellness services including massage therapy, chiropractor, and acupuncture
- Prescription medications and prescribed over-the-counter medication
- Over-the-counter health care items – bandages, pregnancy tests

COMMON **INELIGIBLE** EXPENSES

- Insurance premiums
- Diet foods
- Teeth whitening or bleaching
- Toothpaste, toothbrush, or floss
- Cosmetic procedures or surgeries
- Diapers, regular formula



Coming Soon! HCFA eligible expenses resource found on FINRED.usalearning.gov

Letter of Medical Necessity



U.S. Department of Defense

- Some services and products are only available for reimbursement when your provider certifies that it is medically necessary.
- A Letter of Medical Necessity (LOMN) must indicate your specific medical condition, description of recommended treatment, and length of treatment required. Example products or services that require an LOMN include:



- Vitamins and supplements



- Weight loss program



- Home medical equipment



- Allergy products/ services



- Learning disorders (e.g. dyslexia)

Sample [Letter of Medical Necessity \(LOMN\) \(PDF\)](#). A personal letter from your provider will also suffice if it includes all the information necessary to determine medical necessity.



U.S. Department of Defense

Paperless Reimbursement **NOT** Available for Military Members

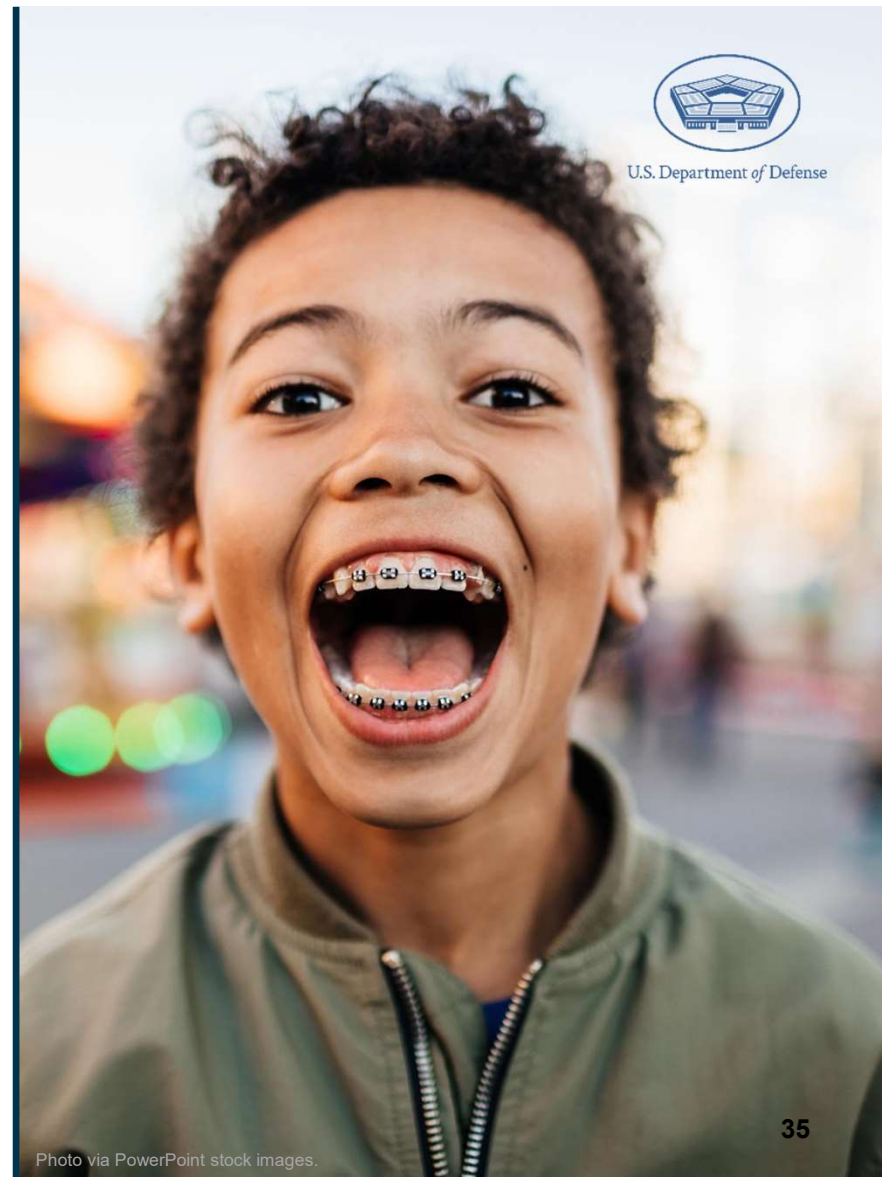
TRICARE expenses (point of service fees, co-payments and cost shares, etc.) are eligible for reimbursement through an HCFSA. However, those expenses **do not** automatically get deducted from the participant's HCFSA. They must submit a receipt and claim the expenses manually (app, online, or mail/fax).

HCFSA Eligibility Check

“ I am an active component O-4 with four kids. With that many kids, we have a lot of medical expenses including dental copays, exams and x-rays. Also, my oldest son is ready for braces which will be a big expense for our family. We are concerned about our family’s current and upcoming medical expenses. Can an HCFSA help ease this burden? ”

Is this family eligible for an HCFSA?

YES



U.S. Department of Defense

Photo via PowerPoint stock images.

HCFSA Eligibility Check

“ I am an active component E-3 who recently learned about an HCFSA. It sounds like a versatile benefit that will allow me to customize my health and wellbeing expenses. I hope to incorporate monthly chiropractic adjustments and acupuncture into my wellbeing plan. Can I use an HCFSA for these expenses? ”

Can this individual use an HCFSA for their desired expenses?

YES

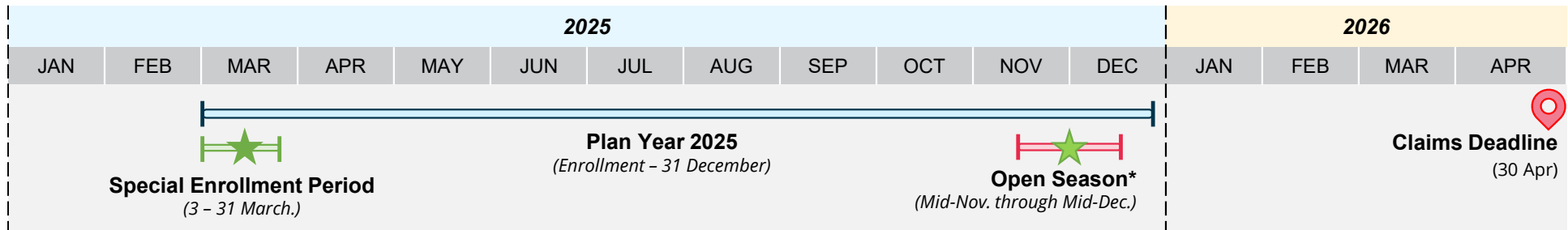


Photo via DoD Photo Gallery by 1st Class Juel Foster

HCFSA Special Enrollment Timeline for Plan Year 2024



U.S. Department of Defense



*Open Season 2025 is for enrollment in the 2026 plan year beginning 1 Jan.

- **Step 1: Enroll during Special Enrollment Period**
- Select contribution amount
- Select the number of pay periods for the contribution to be deducted

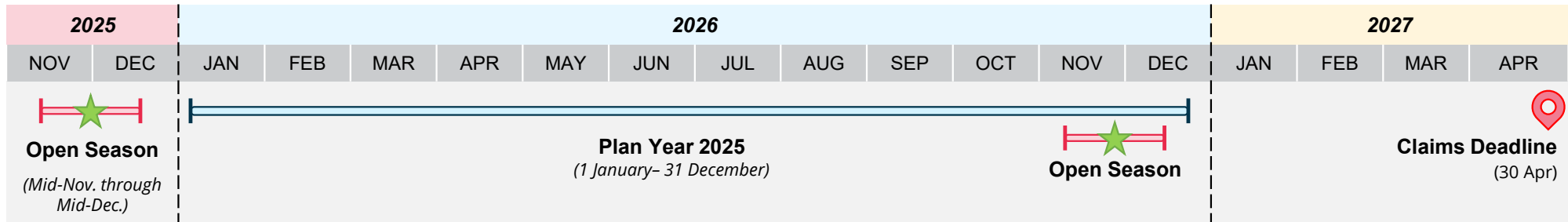
- HCFSA full election available following first pay period following enrollment.
- Submit claims for expenses after your account effective date. This date is the day after you have enrolled.
- Re-enrollment in mid-November through mid-December at Open Season.
- If the participants re-enroll, up to \$640 can carry over to the next plan year.

- Claims can be submitted through April 30.
- **Note:** Claims must be for expenses that occurred during the Plan Year (March – December 2025)

HCFSA Generalized Timeline for Plan Year



U.S. Department of Defense



- Enroll during **Open Season** (Mid-November to Mid-December)
- Select contribution amount
- Select the number of pay periods for contribution to be deducted

- HCFSA **full election available** following first pay period following enrollment.
- Submit claims for expenses after account effective date.
- Change enrollment if participant experiences a QLE.
- Re-enrollment in mid-November through mid-December at Open Season.
- If participant re-enrolls, up to \$640 can carry over to the next plan year.

Claims can be submitted through April 30.

- **Note:** Claims must be for expenses that occurred during the Plan Year (January – December 2026)

HCFSA & Health Savings Account (HSA) Differences



U.S. Department of Defense

	HCFSA	HSA
Account type	Savings account	Investment account
Annual contribution amount	\$3,200 per eligible person (as of 2024)	\$4,150 per eligible person (as of 2024)
Health insurance pairing	Must be paired with a traditional health insurance plans (i.e., PPOs)	Must be paired with an HSA-qualified high-deductible health plan (HDHP). TRICARE is not an HDHP.
Carryover	Yes, \$640 each year with re-enrollment	Yes, carried over without limit
Employee can take account with them when they change jobs	No	Yes

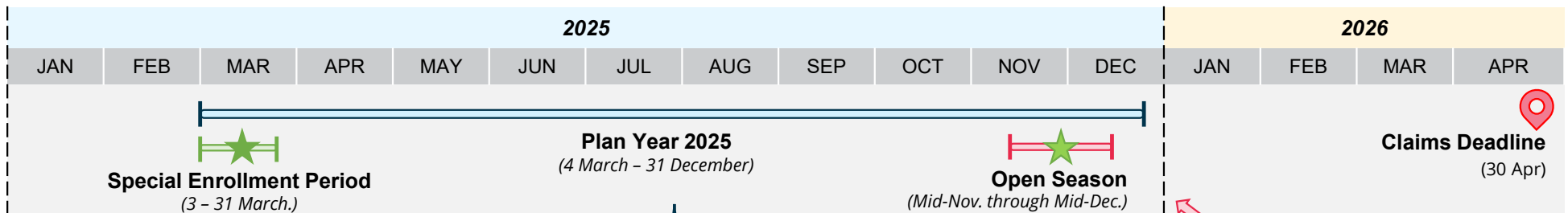
HCFSA Scenario: Putting It All Together



U.S. Department of Defense

SCENARIO

I am an active component E-6. My youngest child was recently diagnosed with dyslexia, so my spouse and I are seeking dyslexia treatment tailored to our child's specific needs. Dyslexia treatments are not covered by TRICARE so I would like to enroll in an HCFSA during this Open Season to pay for the treatment with tax-free dollars and ease some of the financial burden. I read on FSAFEDS that I need to submit a letter of medical necessity to pay for these treatments with my HCFSA.



Step 1:

- Enroll during Special Enrollment Session (mid-March to mid-April)
- Elect total amount \$100-\$3,200
- Choose your contribution pace and reimbursement method.

Note: Participant has until December 31, 2025 to use the funds contributed. Up to \$640 may be carried over into the next plan year, the rest will be forfeited if unclaimed.

Step 2:

- Full amount is available for use within a 1-3 business days following enrollment.
- Funds are withdrawn automatically from each paycheck

Step 3: Request completion of the Letter of Medical Necessity from medical provider to receive documentation on the need for dyslexia care.

Step 4: Seek care and obtain receipt from medical provider.

Step 5: Submit claims through FSAFEDS account for reimbursement or payment directly to service provider. Reimbursement will arrive via preferred method selected during enrollment

Step 6: Re-enroll in HCFSA during Open Season

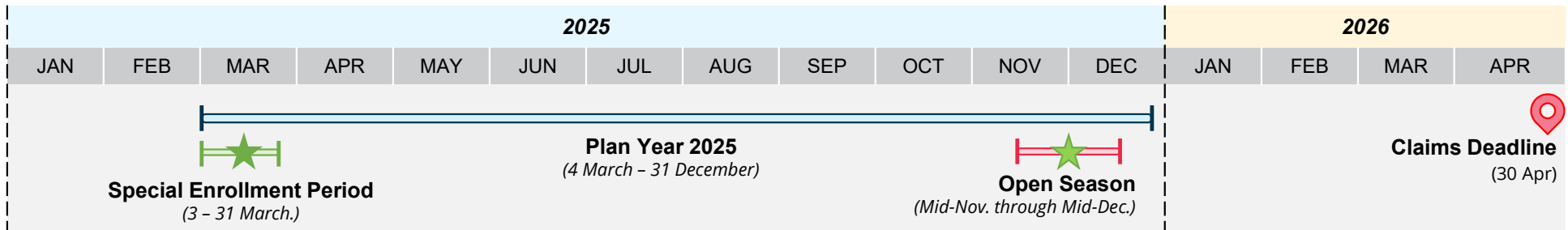
- All expenses must be incurred by Dec 31.
- \$640 funds can be carried over into a new plan year, if re-enrolled.
- All claims must be submitted by April 30
- Any funds above \$640 left unclaimed by April 30 will be forfeited.



HCFSA Scenario: Putting It All Together

SCENARIO

I am an active component E-7. My 22-year-old daughter is still on my TRICARE plan. She recently expressed an interest in getting clear aligners (e.g. Invisalign) for her teeth. We have plans for her to start this treatment in March. This will be a big expense so I would like to enroll in an HCFSA to pay for the cost with tax-free dollars.



Step 1: Enroll during the Special Enrollment Season.

- Choose your contribution amount, pace, and reimbursement method

Note: Full election amount is available as soon after account is established.

Participant can purchase Invisalign treatments in March.

Step 2: Seek care and obtain receipt from medical provider.

Step 3: Elected amount is removed from paycheck pre-tax and put into HCFSA account

Step 4: Submit claims through FSAFEDS account for reimbursement or payment directly to service provider

Step 5: Reimbursement will arrive via preferred method selected during enrollment. Preferred reimbursement method can be changed at any time through FSAFEDS account.

Step 6: Re-enroll in HCFSA during Open Season

Note: \$640 is eligible to roll over each year when re-enrolled in HCFSA

HCFSA Resources

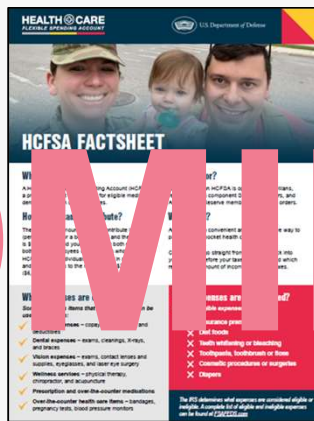


U.S. Department of Defense

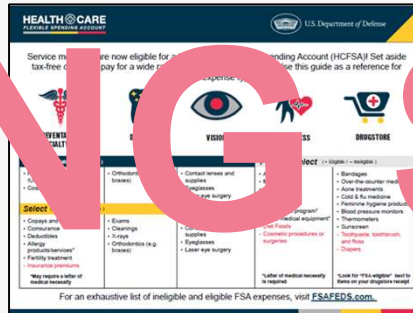
Help us get the word out about HCFSA's and educate Service members and their families on how this benefit can help them save on health care expenses.



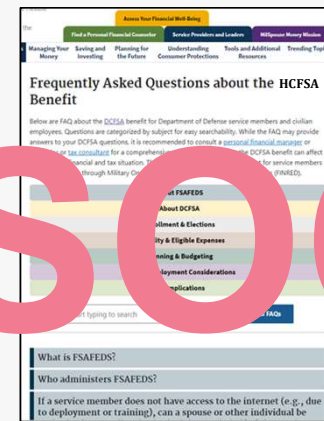
Poster



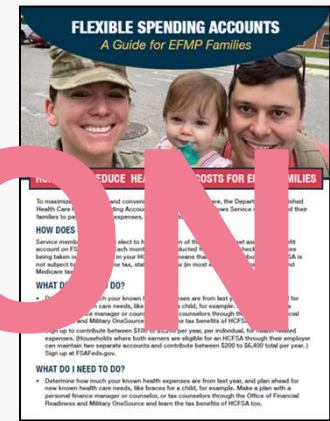
Factsheet



Eligible Expenses



HCFSAs FAQs



EFMP Guide

COMING SOON

Coming Soon! Visit [FINRED](https://www.fired.gov) to access FSA education resources.

Putting It In Practice: How to Enroll and Manage an FSA



U.S. Department of Defense






Step 1: Determine Your Annual Election

The participant's annual election can be based on a number of factors *including but not limited to* the expenses they plan to claim. Key differences in how both accounts work can also impact how much the participant chooses to contribute each year.

	DCFSA	HCFSAs
Election Amount	\$100 - \$5000 per household Maximum election does not increase each year.	\$100 - \$3200 per individual \$200 - \$6400 per household where both earners are eligible through their employer and maintain separate accounts. Maximum election increases each year, indexed to inflation
Carry Over?	No funds carry over	\$640 carries over if Service member re-enrolls
When are Funds Available?	Through payroll deductions	Jan 1 (if enroll in Open Season) or following pay period (if enroll through QLE)

 Participant chooses the amount deducted from pay each month. Service member can accelerate or front-load contributions earlier in the year.

Step 2: Enroll To Start Saving



U.S. Department of Defense

1. **Enroll online each year at FSAFEDS.gov during Open Season** (mid-November to mid-December).
1. **Participant can also enroll during a Qualifying Life Event (QLE).** QLEs are determined by the IRS and include the following:
 - Permanent Change in Station or Deployment.** Change in employment status for Service member, their spouse, or dependent.
 - Marital Status.** Change in legal marital status (marriage, divorce, or death of your spouse.)
 - Birth or Adoption of a child, or dependent.** Change in number of dependents.
 - Change in dependent's eligibility.** (For example, child reaches age 13 and is no longer eligible under a DCFSA.
 - Change in child care or elder care provider, change in cost, or change in coverage.** This is *only* applicable to DCFSA and does not apply to HCFSA.

For more information on **QLEs** see the FSAFEDS [QLE Quick Reference Guide](#).

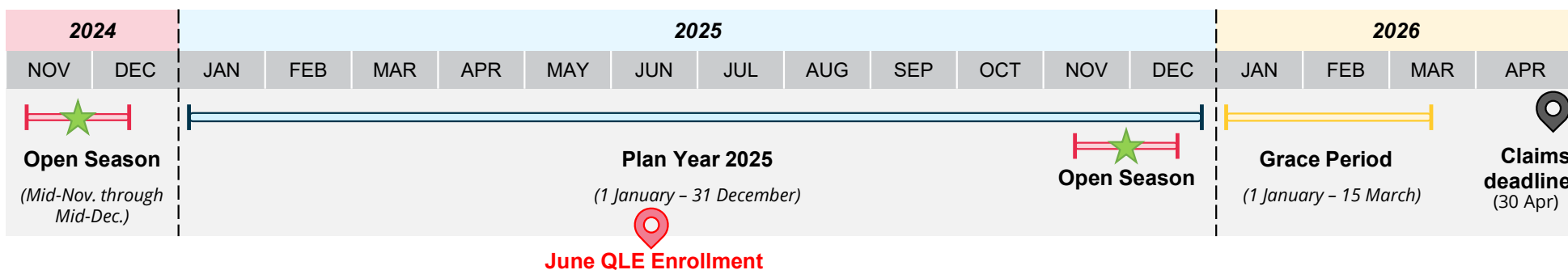
DCFSA Scenario: Putting it all together



U.S. Department of Defense

SCENARIO

I am an active component E-5. It is January 2025, and my family is planning to PCS in June 2025 which will change our child care accommodations for our toddler since my mom (grandma) will no longer be close by. My spouse works a full-time remote job, so day care is the best option for us. I am interested in opening a DCFSA to cover our new child care costs.



Step 1: Initiate a Qualifying Life Event (QLE) on FSAFEDS anytime from 31 days before, to 60 days after the QLE

- Participant will have 6 months remaining in the plan year, plus the grace period to use funds.

Step 2: Elected amount is removed from paycheck pre-tax and put into DCFSA account

- Funds are withdrawn automatically the 1st of the month after enrollment
- Funds become available as they are withdrawn from your account

Step 3: Incur expenses, keep receipts, and track funds to ensure all DCFSA funds used by March 15 following the plan year end.

Funds left unclaimed will be forfeited.

Step 4: Submit claims through FSAFEDS account for reimbursement or payment directly to service provider.

- Reimbursement will arrive via preferred method
- Note:** All claims must be submitted by April 30

Step 3: Pay and Claim FSA-eligible expenses



U.S. Department of Defense



Make sure to participant claims Flexible Spending Account funds on FSAFEDS.gov!

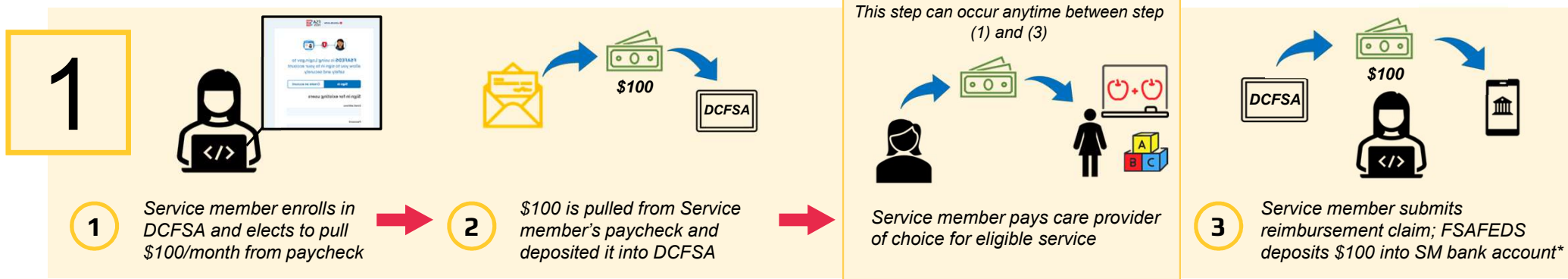
- Pay for an eligible expense and keep receipts. Receipts must have the required information:
 - Patient's Name or Dependent Name** – the name of the person who received the service
 - Provider's Name** – the provider that delivered the service
 - Date of Service** – the date when services were provided
 - Type of Service** – a detailed description of the service provided
 - Cost** – the amount paid for the service
- Submit claims through the FSAFEDS mobile app, online claims submission on FSAFEDS.gov, or mail/fax
- Reimbursement will typically occur within one business week after the claim has been processed and approved for reimbursement
- Funds will be sent to participant via check or direct deposit to bank account. For DCFSA, FSAEDS can send funds directly to provider using the “pay my provider” option. Reimbursement preferences can be managed via FSAFEDS account.



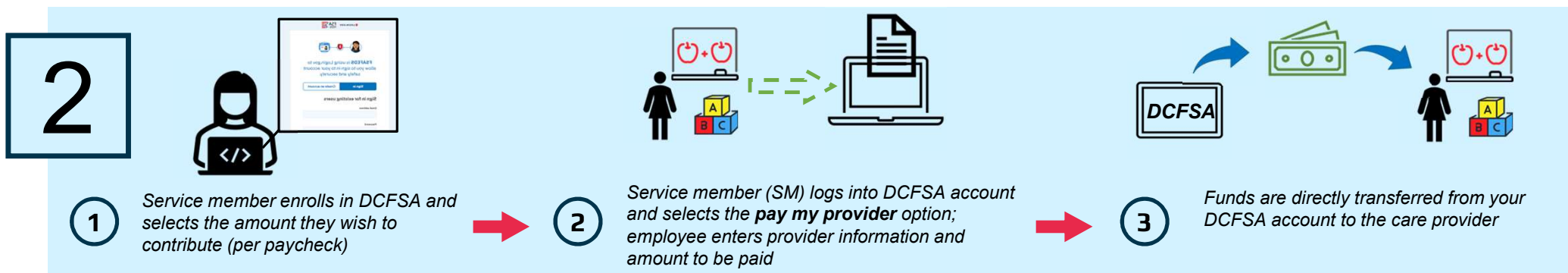
How It Works: DCFSA

Funds are removed from participant's pay and deposited into DCFSA, There are **two primary methods** for reimbursement.

Submit a Claim for Reimbursement



"Pay My Provider" Directly

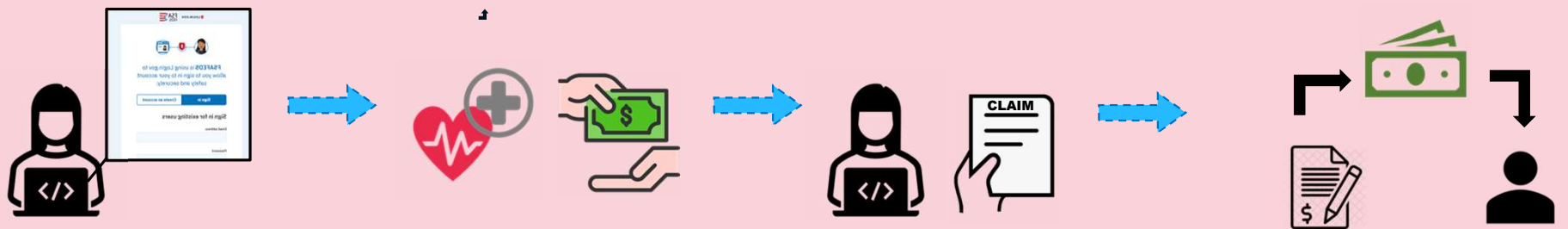




How it Works: HCFSA

Though HCFSA will work similarly to a DCFSA (**money is deposited into your FSAFEDS account via payroll deductions**) there are some **key** differences to be aware of:

- ★ When the full election becomes available depends on the type of enrollment:
 - ✓ For Open Season Enrollments: **Money is Available 1 Jan of the next calendar year**
 - ✓ For QLE Enrollments: **Money is available the 1st pay period following enrollment**



- 1** Service member enrolls in HCFSA and decides how much they would like to contribute. (Contributions are deducted from the SM's paycheck pre-tax)
- 2** Employee receives service from health care provider or buys eligible product and pays out of pocket.
- 3** Service member logs into HCFSA and submits claim for reimbursement.
- 4** FSAFEDS processes your claim and reimburses you for the eligible expense.

! Note: You can claim the entirety of your election for reimbursement even if it is not all in your HCFSA account yet (i.e. you spaced out your contributions across the year)

Separation & Retirement



U.S. Department of Defense

What happens to FSA if the participant separates or retires?



DCFSA

- Any remaining balance can continue to be used to pay for eligible dependent care expenses until the account balance is depleted or the end of the calendar year, **whichever comes first**.
- **If the participant separates before December 31 of the plan year, they cannot take advantage of the grace period** (January 1 to March 15 of the following year). In order to take advantage of the grace period for your DCFSA, participant must be actively employed and making allotments through December 31 of the plan year.

Here's an example:

Service member retires in April 15 and has contributed 3,000 to their DCFSA thus far. They pay \$3,000 for their child's summer day camp in June of the same year. The June expense is eligible for reimbursement, and the Service member has depleted account funds.

After their retirement on April 15, the Service member cannot make monthly contributions to DCFSA since they are not actively being paid and, therefore, account balance is \$3,000.



HCFSA

- HCFSA will terminate as of the date of separation or retirement.
- **Any eligible health care experiences prior to the date of separation will be will still be reimbursed** but those incurred after the separation date are not reimbursable, even if participant accelerated their allotments.

Here's an example:

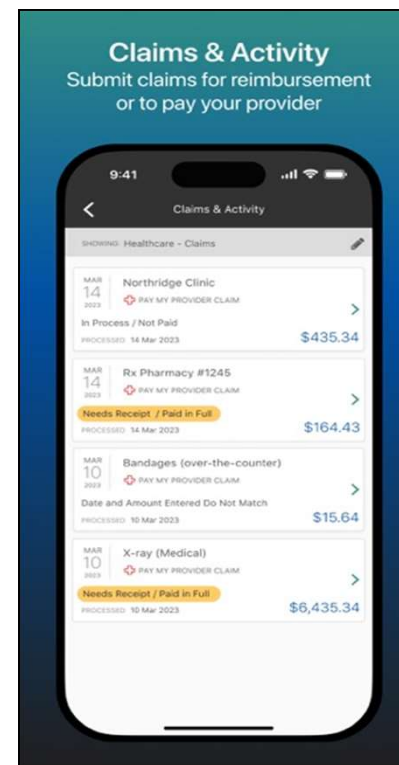
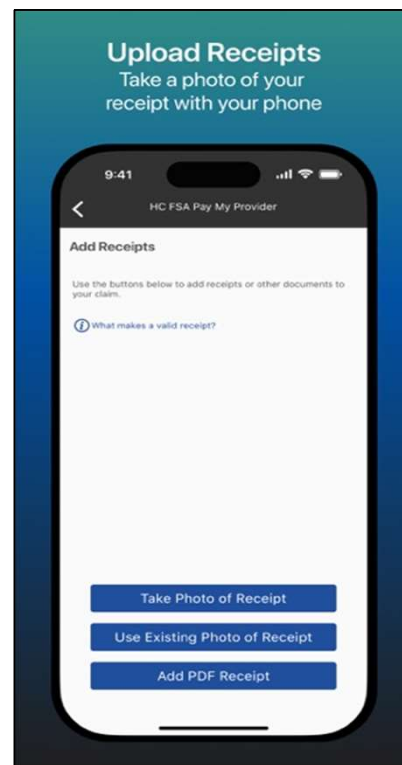
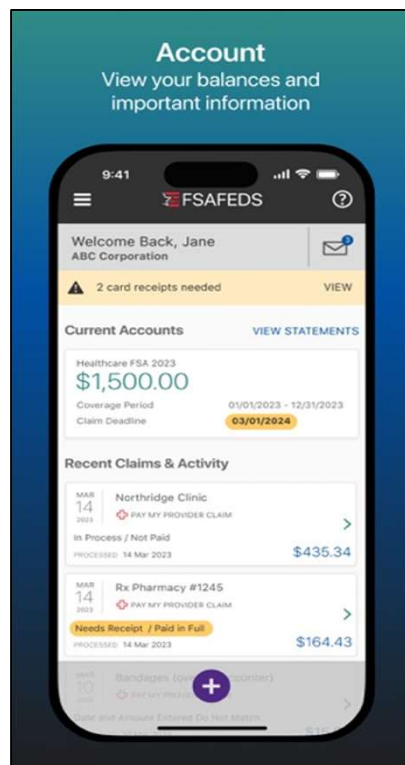
Service member retires on April 15 and have contributed 3,000 to HCFSA thus far. All expenses incurred before April 15 are eligible for reimbursement. Service members' purchase of FSA-eligible drugstore products on April 16 are not eligible for reimbursement.

Managing a DCFSA or HCFSA



U.S. Department of Defense

FSAFEDS APP



The FSAFEDS App is the **quickest and easiest** way to submit and manage your FSA claims. With the app, the participant can:

- Check balance
- Submit claims
- Sign up and receive account alerts by text or email
- View and edit account profile
- Have dependent care provider sign directly in the app to create an electronic receipt
- Maintain a list of providers so participant doesn't have to retype contact information

Additional Service Member-specific Details



U.S. Department of Defense

MILTAX & PERSONAL FINANCIAL COUNSELOR/ MANAGER SUPPORT

- Service members and their families have access to a free [MilTax expert](#) and/or a [DoD personal financial manager](#) or [counselor](#) to assist your family with specific financial and tax questions
- Service members can also speak to a personal financial counselor at a local installation via the DoD Office of Financial Readiness.

[Click here to find a PFC](#)

AUTHORIZED POWER OF ATTORNEY

- A **spouse or other individual may enroll** in a DCFSA or HCFSA on **behalf of the Service member** if they have a valid power of attorney to perform this action
- After enrollment, FSAFEDS provides the ability for a **Service member to authorize access to their account to a spouse** or other individual for submitting claims and other account maintenance

FSAFEDS Benefits Counselors are available Monday through Friday from 9 a.m. until 9 p.m. Eastern Time.

Call: 877-FSAFEDS (372-3337)

TTY Line: 866-353-8058



Poll

I understand and can explain the differences between a DCFSA and an HCFSA.

Strongly Disagree, Disagree, Neither Agree or Disagree, Agree, Strongly Agree





Poll

I understand how FSAs can help Service members save money on care.

Strongly Disagree, Disagree, Neither Agree or Disagree, Agree, Strongly Agree



U.S. Department of Defense

Questions?



U.S. Department of Defense



DoD Office of Financial Readiness Digital Resources



Recognized, trusted, nonjudgmental resources for service members and their families.

<https://www.finred.usalearning.gov>

Follow DoD FINRED:



SEN\$E

Watch your financial know-how grow with the DoD's financial literacy app.

[https://finred.usalearning.gov/ToolsAndAddRes/Sen\\$e](https://finred.usalearning.gov/ToolsAndAddRes/Sen$e)



eNewsletters

Subscribe to eNewsletters tailored to service members and families, service providers, and spouses.

<https://finred.usalearning.gov/eNews-subscriber>



Discover resources for military spouses including Money Ready curriculum, blogs, and videos.

<https://www.milspousemoneymission.org>

Follow MilSpouse Money Mission:



Media Kit

The DoD is spotlighting the Blended Retirement System during Financial Planning Month in October.

<https://finred.usalearning.gov/ToolsAndAddRes/ShareableResources/FPM>

Upcoming Event



Maximizing the Use of 529 Plans for Military Families

Tuesday, October 15, 2024 at 11 am ET - 12:30 pm ET

This session will highlight recent changes to 529 college savings plans, qualifying expenses, rollovers, tax implications, and more.

Continuing education credit will be available!

Continuing Education



This webinar has been approved for 1.5 continuing education (CE) credits from the following organizations:

- The American Association for Family and Consumer Sciences (AAFCS)
- The Association for Financial Counseling & Planning Education (AFCPE)
- The Center for Financial Certifications (FinCert.org)
- The National Council on Family Relations (NCFR)
- Certificate of attendance

Evaluation Link

Go to the event page for the evaluation and post-test link.

[Continuing Education](#)

Questions?

Email CE@OneOp.org

Connect with OneOp

Explore upcoming events, articles, resources, and more!

[OneOp.org](https://www.oneop.org)

