

NFIB CARRIES THE VOICE OF SMALL BUSINESS TO CAPITOL HILL: Flexible Spending Accounts



NFIB supports allowing the annual rollover of Flexible Spending Account funds.

- Flexible Spending Accounts, also known as cafeteria plans, allow workers to divert some of their pre-tax wages into accounts to pay for direct health-care expenses or their share of insurance premiums for employer-sponsored plans. FSAs allow pre-tax dollars to be used for medical expenses such as copays, deductibles and services not covered under the primary insurance plan.
- Under an FSA, employees can reduce their taxable income and use the tax savings to pay for expenses that otherwise would have been paid with after-tax dollars.
- FSAs are authorized under Section 125 of the Internal Revenue Code. An FSA can stand on its own or be incorporated into a more comprehensive cafeteria plan. All expenses must be qualified medical or benefit expenses as defined in Section 125.
- Even though FSAs provide tax savings, many people do not take advantage because of the "use it or lose it" clause, which stipulates that unspent money returns to the employer at the end of the plan year. Some employees find it difficult to predict out-of-pocket expenses for a year, so they forgo this benefit all together.
- Currently, there is no rollover provision to allow individuals to keep unused FSA money for future expenses or to allow unused funds to be distributed to the individual. These limitations need to be changed to allow workers to take control of health-care costs and prepare for the future. NFIB supports H.R. 1998, the Flexible Spending Account Rollover Bill, which would allow up to \$500 of unused benefits to be rolled over into an FSA or a Health Savings Account.
- Eighty percent of NFIB members believe that unused portions of FSAs should be carried over into the next year.

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1201 F. Street, NW Suite 200 Washington, DC-20004 (800) 552-NFIB NFIB.com

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