

FSA and DCAP Payroll Fact Sheet

This guide shows details on the fundamentals of your FSA/DCAP payroll deduction responsibilities.

Medical Flexible Spending Accounts (FSA)

An FSA allows employees to set aside pretax dollars through automatic payroll deduction into an account they can use to pay for [qualified medical expenses](#).

- The full amount that the employee elected to contribute for the year is available for the employee to use on the first day of the account's effective date. For example, if an employee elects to contribute \$1,000 for the year into the FSA, the full \$1,000 is available to them on the first day of the plan year.
- FSAs are notional accounts, meaning no funding is sent to Further.
- In order to keep track of employees' payroll deductions, pretax payroll information should be submitted by the employer to Further.
- A weekly invoice notification will advise the group of the previous week's claims paid out to their employees and at that time payment will be due to Further.
- Members may not change their election or payroll deduction information mid-year without encountering a lifestyle change. [See a list of qualifying life events here.](#)
- FSAs are considered use it or lose it accounts. Any funds left over at the end of the plan year end will be considered forfeited by the account holder unless your plan includes a \$550 rollover feature. If the rollover is applicable, up to \$550 of the employee's account balance will continue to roll forward into the next plan year.

The current IRS limits for employee FSA contributions are as follows:

	2020	2021
Maximum contribution limit	\$2,750	\$2,750

Dependent Care Assistance Program (DCAP)

A DCAP allows employees to use pretax dollars for [qualified dependent care expenses](#) such as daycare.

- DCAPs are not part of a group's health plan, which means the rules that apply to FSAs do not necessarily apply to DCAPs.
- Just like the FSA, DCAP is part of a notional account, so no funding is sent to Further.
- In order to keep track of employees' payroll deductions, pretax payroll information should be submitted by the employer to Further.
- DCAP funds are available for reimbursement and are limited to the group payroll deductions sent to Further.



- DCAPs are considered use it or lose it accounts. A spend down option might be available based on your group's setup. Any funds left over at the end of the plan year will be considered forfeited by the account holder.

The IRS sets limits on how much employees can contribute to a DCAP. The following limits apply:

- \$2,500 for married parents filing taxes separately
- \$5,000 for married parents filing taxes jointly (this amount can be split between parents if both are offered a DCAP; however, the total amount can't exceed \$5,000 between them)
- \$5,000 for a single parent

