

FSA receipt requirements: What you need to document

Flexible spending accounts (FSAs) are employer-established accounts that allow you to put aside pre-tax dollars from your paycheck into a special account to be used for eligible health or dependent care expenses. They are a great add-on to a business' employee benefits package and help employees pay for the expenses that they need to stay healthy and care for their loved ones. However, they also can require careful documentation to ensure that funds were spent on approved expenses.

How to spend FSA funds



Employees can make purchases with their FSA debit card or request reimbursement for purchases made on other personal cards or accounts. The card is issued by the benefits provider that the employer has chosen to work with for the FSA.

Often, charges made directly on these cards have more relaxed requirements when it comes to receipt reconciliation. The Internal Revenue Service (IRS) states that if the use of these provider cards meets certain substantiation methods, the employee may not have to provide additional information to the health FSA provider including receipts. Confirm with the FSA provider on whether they require receipts for purchases made on their cards. It's a good idea for employers and HR representatives to have this information on hand as it is a frequently asked question from employees trying to navigate benefits setup and FSA usage.

Alternatively, employees can fill out claim forms with supporting documentation to request reimbursement if they paid with their own credit card, debit card, or bank account. Reimbursement for FSA expenses from an

employee's personal accounts is typically provided through direct deposit.

For healthcare FSAs, employees must be able to receive the maximum amount of reimbursement (the amount they had elected to contribute for the year during open enrollment) at any time during the coverage period, regardless of the amount that they have actually contributed. This means that employees do not have to wait to use their health FSA funds. They may have a larger medical procedure or expense at the beginning of the coverage period and submit for reimbursement.

Healthcare FSA receipt requirements

Reimbursements from a healthcare FSA can only be paid to reimburse the employee for qualified medical expenses incurred during the period of coverage. These reimbursements often require a detailed receipt or invoice detailing the eligible expenses incurred. While FSA funds are deducted by the employer during payroll, the benefits vendor administering the FSA is responsible for verifying the receipts rather than the employee.

The receipt requirements vary slightly depending on the type of expense for which reimbursement is being sought. Requirements for retail purchases made on the card issued by an FSA provider may be a bit less stringent. However, employees should retain documentation for all expenses that they plan to submit to their FSA.

Receipts for eligible medical expenses typically need to have these five key pieces of information in order to be processed for reimbursement:

1. **The patient's name.** The name of the person that received healthcare services or who the healthcare item was purchased for. The patient does not have to be the employee. The IRS states that qualified medical expenses will be covered for the employee, their spouse, any dependent on their tax return, and their child if said child will be under the age of 27 at the end of the tax year. For retail store purchases, this information can sometimes be excluded, refer to your FSA provider's guidelines.
2. **Health care provider's name.** The name of the provider that delivered the medical service. This could be a doctor, dentist, pharmacy, retail store, or other healthcare provider.
3. **Date of service.** The date when the eligible health care services were rendered or the purchase date for retail items.
4. **Type of service or item.** A detailed description of the service provided or the item purchased.
5. **Expense amount.** The amount paid for the service or product. For medical services or pharmacy expenses, include your explanation of benefits (EOB) and what portion of the expense was not reimbursed through your insurance company. Employees may not seek FSA reimbursement for costs that will be reimbursed by their health plan. They may, however, receive reimbursement for copays and payments that go towards their deductible.

Credit card receipts from healthcare providers and canceled checks typically do not include all of the required information. Employees should request itemized receipts that properly describe the services provided before submitting a reimbursement request. Receipts from card transactions printed by retail point of sale machines may meet FSA receipt requirements as long as the item description is reasonably clear and readable. Many people also prefer to shop online as invoices and purchase histories on their online account generally provide clearer item descriptions for eligible items purchased. Many items like over-the-counter (OTC) medicine and

feminine hygiene products are FSA eligible and can be purchased from any store, pharmacy, or online retailer.

Note that the IRS does not allow FSAs to provide reimbursement for future or planned expenses. This means that an employee may not use documentation showing a quote or estimate of the costs of an upcoming procedure or service as a receipt for reimbursement from an FSA. The cost must be incurred prior to reimbursement.

If an employee wants to submit a health reimbursement request for an item or service that is not typically considered an eligible health care expense, additional supporting documentation is required in addition to receipts. A letter from a health care provider outlining the medical necessity of the item typically suffices. This may occur when a patient needs to take specific supplements to treat a medical condition or when a procedure that is commonly considered cosmetic is necessary due to an accident, injury, or medical condition. See our previous article [here](#) to learn what purchases are eligible for FSA reimbursement.

Dependent care FSA receipt requirements

Dependent Care FSAs are designed to help employees pay for childcare, eldercare, or other dependent care expenses. These pre-tax funds should be used to arrange for appropriate care of dependants while the employee is at work. Daycare, preschool, senior care, and more can be eligible.

Dependent care FSA eligible expenses also require documentation. An itemized receipt with the five pieces of information is compliant. They need the date(s) of service, dependent's name, provider's name, type of service, and the total dollar amount paid for the services. Many FSA providers have claim forms that employees can use to document dependent care costs in place of an itemized receipt. These forms typically require a signature from the dependent care provider and proof of payment for verification.

Like healthcare FSAs, all eligible dependent care expenses must be incurred during the plan year to receive reimbursement. Some employers do choose to offer a grace period where employees can spend their unused FSA balance without forfeiting it.

What happens to unused FSA funds?

It is up to the employer whether to allow employees to roll over some of their FSA funds or have a grace period to spend unused FSA funds. Unused funds at the end of the grace period or plan year that cannot be rolled over are forfeited to the employer. The employer may use these funds to cover the administrative costs of administering the FSA plan or evenly divide the total forfeited funds and disperse them to all employees enrolled in the FSA plan.

Employees should make sure that employees are aware of all deadlines and know who to contact if they have questions about using their FSA funds or receipt requirements for requesting reimbursement.