# Leave of Absence - FSA Guidelines

If a participant goes on a qualified unpaid leave while they are still considered an active employee (e.g. Family and Medical Leave Act of 1993 - FMLA), the participant has two options for managing their Flexible Spending Account for the remainder of the plan year. Once an option has been chosen, the participant has 30 days from the first day of leave to submit their request to an authorized plan representative.

- **Revoke the election entirely (change it to zero)** - The participant can decide to revoke their FSA participation upon a qualified leave of absence; however, once the employee returns to work they cannot participate again in the plan for that plan year unless they experience a qualified status change while on leave. If a qualified status change has been experienced, the participant can either keep the amount the same as it was when they made the decision to revoke their election, or they may reduce their annual election by the amount that would have been contributed while on leave. Any Medical FSA or Dependent Care expenses incurred while on leave are not eligible for reimbursement under this option.
- **Continue participating while on leave** - If the participant wishes to continue participation in the Plan during their leave, he or she will be responsible for making up any missed contributions which would have occurred had they not been on leave. There is flexibility regarding how to make up FSA contributions, but the method must be established in advance and the contributions must be made in the same plan year as the leave of absence. If they are not made up in the same plan year, the participant will need to repay on an after-tax basis, causing them to lose a portion of their tax benefit of participating in the plan. If a participant chooses this option, all Medical FSA expenses incurred during the leave period will be considered eligible; however, claims for dependent care expenses incurred during the leave period are not eligible for reimbursement.

If a participant chooses to continue participating while on leave, they have the following “make-up” options:

- **Make a lump sum salary reduction prior to leave** - The participant will have a reduction taken from the last paycheck prior to going on leave. The amount of the reduction will be equal to the sum of all of the reductions that will be missed while on leave. This option is preferred if the leave period is well determined and the participant can afford to take a lump sum deduction on their final paycheck prior to going on leave. The benefit to this option is that the participant knows that their plan contributions are allocated and they are preserving the tax advantage of these contributions prior to going on a leave of absence.

- **Make a lump sum salary reduction after returning from leave** - Once the participant returns from leave he or she would elect to have the full amount missed while on leave deducted from their first paycheck upon returning. This option allows the participant to quickly make up any missed contributions during the absence period. This would be a good option if the participant is confident that they will be returning by the end of the plan year, but they are not certain when they will be returning. Again, consideration must be given to determine if the participant can afford a balloon reduction of pay on a specific pay period.

- **Increase pay period contributions after returning from leave through the end of the plan year** - The participant’s year-to-date contributions would be subtracted from their annual election for the year. This amount would be divided by the number of remaining pay dates in the plan year after the participant returns from the leave of absence. This option is popular because it allows the participant to spread out the missed contributions across multiple pay periods, which will lessen the financial burden to repay those missed contributions.