FLEXIBLE SPENDING ACCOUNTS

On October 31, 2013, changes to the "Use It Or Lose It" rule for flexible spending accounts were announced by the U.S. Treasury Department.

Previously, employers had the option to require employees to use flexible spending account contributions by the end of the calendar year or they could offer a "grace period" wherein employees had through the first 2 ½ months of the following calendar year to accrue cost which could be reimbursed from the prior calendar years flexible spending account contributions if monies were remaining. If the prior years contributions are not filed for reimbursement by the end of the grace period, employees forfeit the money they have contributed into the flexible spending account.

Due to the recent announcement by the U.S. Treasury, employers may now elect to allow employees to carry over $500 from their flexible spending account election which can be used anytime before the end of the following calendar year*. Employers may not have both a grace period and carryover period.

It is recommended to the insurance committee that we modify our current flexible spending account to allow the $500 carryover effective with the 2013 calendar year. This will reduce the number of employees who may be subjected to forfeiting contributions during the year.

*This change only affects flexible spending accounts (those which reimburse qualified medical expenses) and not dependent care accounts.