
GOOD NEWS FROM THE IRS

Unused Health Care Flexible Spending Account funds can now roll forward!

The IRS has issued a notice announcing a rule change that will allow employees participating in Health Care Flexible Spending Accounts (FSA) to carry forward up to \$500.00 in unused funds into the next plan year.

Historically, unused funds in the Health FSA were forfeited under the infamous “use-it-or-lose-it” rule. This caused many people to avoid signing up because they did not want to take a chance that they might lose all or part of their money. Now much of that fear can be eliminated. This should result in greater tax savings for the participants. Making predictable expenses tax-free will also help offset the higher deductibles that will be necessary in many cases to keep medical premiums lower under the Affordable Care Act rules.

Here is how the rolling forward of unused Health FSA money works. You have three months after the end of the FSA plan year to file claims for expenses incurred during that plan year. If after the final accounting you have leftover (unused) money available, up to \$500.00 can be added to your available balance for the new plan year. You must be enrolled in the FSA for the new plan year for the money to roll forward!

Here is an example. If you sign up for \$1,000.00 in 2017 (for a calendar year plan) and only spend \$800.00, the remaining \$200.00 will be added to your 2018 balance after the three month claim filing grace period following the plan year end, usually in April. There would be no forfeitures unless your unused amount exceeds \$500.00. Up to \$500.00 can be rolled forward each year thereafter if you remain enrolled in the FSA.

It is that simple, and you do not have to do anything for this to occur. BenefitsWorkshop will handle this for you. Please call 888-537-3539 with any questions.

