

Employers Can Provide Employees Additional Time to Use FSA Funds

On Dec. 27, 2020, President Trump signed the [Consolidated Appropriations Act of 2021](#) into law. The Act provides temporary special rules for health and dependent care flexible spending accounts (FSAs) that give employees additional time to use these funds.

Because of the COVID-19 pandemic, employees may be more likely to have unused amounts in health or dependent care FSAs. For plan years ending in 2020 and 2021, the Act allows employers to:

- Permit employees to **carry over unused amounts** remaining in these FSAs to the next plan year.
- **Extend the grace period** to 12 months after the end of such plan year.
- Permit employees who **cease plan participation** during 2020 or 2021 to continue to receive reimbursements from unused amounts through the end of the plan year in which their participation ended.

The Act also allows employees to elect to **prospectively modify** the amount of their FSA contributions for plan years ending in 2021, even if they have not experienced a change in status. However, the applicable dollar limitations will continue to apply. Employers can retroactively adopt plan amendments incorporating these provisions, if specific requirements are met.