Great News for Flex Plans!

The “Use or Lose” Rule for a Health Flexible Spending Account Has Been Changed

The IRS modified the long standing “Use or Lose” rule for Health Flexible Spending Accounts (FSAs). Now you can carryover up to $550 into the next plan year and use it for expenses incurred during that year.

Why is this good news for you?

It means you now have a safety net in the event that you do not use your entire health FSA election amount by the end of the plan year. Prior to this change, you had to forfeit any unused money left in your FSA account.

You may have hesitated to enroll in the past because of the “Use or Lose” rule, but now you have a cushion of $550 at the end of the plan year which makes planning for you and your family's expenses easier.

Does this affect how much you can elect in the new plan year?

No, any money carried over into the new plan year will be added to your new election amount.

Example: If you have $300 remaining from 2020, the $300 can be carried over into the new plan year. The $300 along with a maximum $2,750 election provides a total of $3,050 that could be reimbursed in 2021 for qualifying expenses.