

## Flexible Spending Accounts: Use-or-Lose Change

In October 2013, the Internal Revenue Service changed the Flexible Spending Account (FSA) forfeiture rule (use-or-lose rule) by allowing carryover for health care FSAs. Health care and Limited Expense FSAs will no longer have a grace period for the upcoming 2015 benefit period; instead, qualifying participants will be able to carry over up to \$500 of unused funds to the next plan year.

Participants will have from January 1, 2015 through December 31, 2015 to incur eligible expenses for reimbursement from their 2015 account. Employees ultimately have until April 30, 2016 to submit claims for reimbursement from their 2015 account. Carryover funds can be used for reimbursement of eligible expenses incurred in 2016, as well as eligible expenses incurred in 2015, until the claims submission deadline of April 30, 2016.

In order to use the carryover, participants must be employed by an agency that participates in FSAFEDS and actively making allotments from their pay through December 31st. Participants are required to reenroll in a 2016 health care or LEX FSA for at least the minimum annual election to use carryover. The minimum annual election for all three types of FSAs will be reduced from \$250 to \$100.

However, 2015 Dependent Care participants will still have the grace period in the first 2-1/2 months of 2016. Participants have from January 1, 2015 through March 15, 2016 to incur eligible expenses for reimbursement from their 2015 Dependent Care account.



*Questions?*

Contact: [benefits@cpms.osd.mil](mailto:benefits@cpms.osd.mil)