



Department of
Employee Insurance

501 HIGH STREET, 2ND FLOOR
FRANKFORT, KENTUCKY 40601

DEI MEMO 21-00

TO: ICs and HRGs
FROM: Department of Employee Insurance
RE: New Guidance for Flexible Spending Accounts (FSAs)
DATE: January 12, 2021

The Internal Revenue Service released guidance to extend the changes issued last May to section 125 cafeteria plans Flexible Spending Accounts (FSAs). Additionally, Congress passed and the President signed the Consolidated Appropriations Act, 2021, last December. The guidance and act addressed unanticipated changes in expenses because of the 2020 Novel Coronavirus (COVID-19) pandemic.

Changes permitted under the new guidance for Healthcare FSA and Child & Adult Daycare FSA and that will be adopted by the Kentucky Employees' Health Plan, include:

- Unlimited carryover of unused funds for Healthcare and Child & Adult Daycare FSAs (also known as the DCFSA) from 2020 to 2021 and from 2021 to 2022. Please note that if the unused amount is below \$50, that amount will not carryover and will be forfeited to the employee health plan trust fund.
- Special carry forward rule for Child & Adult Daycare FSA where dependents aged out during the pandemic.
 - Eligible employees may be reimbursed for Child & Adult Daycare FSA expenses on eligible dependents who are not yet age 14 (previously age 13).
 - This change applies only to eligible expenses from the 2020 plan year for eligible dependents who were not yet age 14 during the 2020 plan year. Any permitted carryover amounts under the plan from 2020 may be applied to these expenses from 2020.
- Revoke an election, make a new election, decrease or increase an existing election applicable to a Healthcare and Child & Adult Daycare FSA on a prospective basis.
 - Changes are prospective from the signature date on the enrollment form.

If there is not a valid qualifying event and someone requests to make changes based on this new guidance, please use the signature date for the qualifying event date on the enrollment form.

NOTE: Please remember that a member CANNOT decrease or revoke the FSA if the money is already spent.