

General Information

In October 2013, the U.S. Treasury Department modified the “Use It or Lose It” provision of IRC Section 125 to give employers the option of allowing employees to carry forward (“roll over”) Health FSA funds to the following plan year, up to a certain limit. In May 2020, this Rollover provision was updated to establish the limit as *20% of the Federal Maximum Election* for the applicable tax year. Your employer has elected to adopt the Rollover provision for the 2023 Plan Year, which means that if you do not exhaust your Health FSA balance by the end of the year, you are eligible to carry forward **up to \$610** to the following year. If you receive reimbursement of your full Health FSA balance, then you do not qualify for a potential carryover as there are no longer funds in your account.

How It Works

Please review the following information to confirm how the Rollover provision may affect you.

- **Automatic Carryover:** If you do not exhaust your Health FSA balance by the end of the year, then your remaining account balance (up to \$610) will be automatically carried forward to the following year.
 - **Elected in Following Year:** If you made a new Health FSA election in the following year, then your carryover balance will be automatically added to your existing election amount.
 - **Not Elected in Following Year:** If you did not make a new Health FSA election in the following year, then a new election will be automatically created for you in the amount of your carryover balance.
- **Timing of the Carryover:** Once the applicable claim submission deadline passes and all final claims have been processed and reimbursed, your potential carryover amount will be calculated and added to the following Plan Year. All carryover balances will be reflected in the following Plan Year by the end of May.

Frequently Asked Questions

- **How much can I carry over to the following year?** Unused Health FSA funds *up to 20% of the Federal Maximum* may be carried over to the following year. For 2023 elections, the Federal Maximum is \$3,050 - therefore, you may carry over up to \$610 to the following year.
- **Does the Rollover provision apply to Dependent Care FSAs?** No, the U.S. Treasury ruling only applies to Health FSAs and does not affect Dependent Care FSAs.
- **Do I need to make a new Health FSA election in the following year to access my carryover amount?** No, a Health FSA election in the following year is not required to access your carryover balance. If an election does not exist at the time of the carryover, a new Health FSA will automatically be created.
- **Are employer contributions also eligible to be carried over to the following year?** Yes, employer contributions are treated the same as employee contributions. Any remaining balance in your Health FSA, regardless of funding source, will automatically carry over to the following year (up to the Federal carryover limit).
- **If I do not exhaust my carryover balance in the following year, can it be carried over again?** Yes, a carryover balance is not restricted to just the following year. It will continue to carry over to each subsequent Plan Year if no additional claims are submitted against the balance.
- **Are carryover amounts cumulative?** No. The maximum carryover amount available to each Health FSA participant from one year to the next is always limited to just 20% of the Federal Maximum for that year.
- **Will a carryover balance affect my ability to contribute to a Health Savings Account (HSA)?** Yes, a carryover balance that results in the establishment of a Health FSA in the following year will affect your ability to contribute to an HSA. In order to retain HSA eligibility, your Health FSA must be classified as a “Limited Purpose” Health FSA.

Questions

Please contact the Vita Concierge at (650) 966-1492 or help@vitamail.com if you have any additional questions.