

In recognition that many participants have faced unanticipated changes in health and childcare expenses related to COVID-19, the recently passed Consolidated Appropriations Act (CAA) provided new flexibility for health and dependent care flexible spending accounts (FSAs). Wespath has worked with our FSA administrator, HealthEquity, to take advantage of this flexibility. Wespath will also communicate the updates to participants. A summary is provided in the Q&A below.

Q: I have a balance remaining in my health and/or dependent care FSA from 2020. Can I still use it?

A: Yes. You may carry over any unused amounts in your health and/or dependent care FSA as of December 31, 2020 from 2020 to 2021. There is no limit on the amount that you may carry over from your remaining balance. In addition, you do not need to take any action to opt into this carryover feature—it will apply to the remaining balance in your account automatically.

Q: What if I have unused amounts in my health and/or dependent care FSA at the end of 2021?

A: The carryover feature described above will also be available in 2022, which means any amount remaining in your health and/or dependent care FSA at the end of 2021 automatically will carry over to 2022 as long as you are employed.

Q: I have a limited-use health FSA in 2021. Does the carryover feature described above apply to limited-use health FSAs as well?

A: Yes. If you have unused amounts in your FSA from 2020, they will carry over as limited-use health FSA funds for 2021 regardless of whether your health FSA in 2020 was a regular FSA or limited-purpose FSA.

Q: Does the carryover feature for amounts unused at the end of 2020 apply to me even if I did not elect to contribute to the health and/or dependent care FSA in 2021?

A: Yes. However, see the following Q&A for additional details that apply if you elected to contribute to an HSA in 2021.

Q: I contributed to a regular (i.e., not limited-use) health FSA in 2020, but elected *not* to contribute to it in 2021 so that I am eligible to contribute an HSA in 2021. Does the carryover feature described above still apply to me?

A: Yes. However, if you participate in a HealthFlex HSA, your 2020 balance will automatically convert to a limited-use FSA to maintain your HSA eligibility for 2021. This means that the amount carried over may only be used for eligible dental and vision expenses incurred in 2021 until the IRS defined-deductible in your high deductible health plan is met.

Q: My child turned age 13 in 2020. Can I still receive reimbursements for his/her dependent care expenses from my dependent care FSA?

A: In general, a dependent care FSA can be used only for expenses incurred for a child under age 13. However, under the CAA, if your child turned age 13 in 2020, you can use the balance remaining in your dependent care FSA at the end of 2020 for expenses incurred for the child in 2020 after his/her 13th birthday and prior to his/her 14th birthday.

Q: My child turns age 13 in 2021. Can I still receive reimbursements for his/her dependent care expenses from my dependent care FSA?

A: In general, a dependent care FSA can be used only for expenses incurred for a child under age 13. However, under the CAA, if your child turns age 13 in 2021, you can use the balance remaining in your dependent care FSA at the end of 2020 for expenses incurred for the child in 2021 after his/her 13th birthday and before his/her 14th birthday.

Q: Can I change the amount I have elected to contribute to my health and/or dependent care FSA in 2021?

A: Yes. As previously announced, we will continue to allow mid-year changes to FSA elections in 2021 consistent with the flexibility provided in 2020. Specifically, you may make a new election or elect to increase, decrease, or terminate your existing 2021 health and/or dependent care FSA election at any time in 2021. However, you cannot elect to reduce your 2021 election to an amount that is less than what you have already contributed or received as reimbursements. The election change will apply to future paychecks. You do not need to have a “change in status” event¹ to take advantage of this.

Finally, please note that additional guidance from the IRS regarding the details of the flexibility provided by the CAA is expected. Wespeth will continue to monitor IRS guidance and will notify participants if the guidance impacts the information provided above.

5682/022521

¹ “Change in status” events include, for example, birth of a child, marriage, divorce, death, and change in coverage of a spouse or dependent under another employer’s plan.