



## Carryover Rule Change for FSA Plans

Good news for you and your employees! Recently, the U.S. Treasury issued a press release announcing changes to the "use-or-lose" rule for flexible spending accounts (FSAs). To make health FSAs more consumer-friendly, these changes give employers the option to allow employees to carry over up to \$500 of their unused health FSA balances remaining at the end of a plan year.

Under the current law, employees forfeit unused balances at the end of the year unless the plan sponsor offers an optional grace period. This new change provides you with more options to help your employees take advantage of their Health FSA benefit.

### What this means for you:

You may be eligible to take advantage of the option to adopt a carryover provision as early as plan year 2013. Contact your agent or your PacificSource Representative for assistance. Some things to keep in mind about this change:

- If you already have a grace period in place, keep in mind you won't be able to take advantage of the carryover provision unless you amend your plan to cancel the grace period. A health FSA can have one or the other, or none, but it cannot have both the carryover provision and a grace period. If you're unsure which option is best for your organization, your PacificSource Representative would be happy to discuss the pros and cons of each.
- The \$500 carryover doesn't affect the \$2,500 FSA salary reduction maximum. In other words, if an employee elects \$2,500 for the new plan year FSA, and they have \$500 that carries over, they will have \$3,000 in their FSA "bank" for the new year.
- Employees do not have to enroll in the subsequent year to access the carryover.
- Unused funds are carried over after the claim filing period. (In most cases, there is a 90-day claim filing period at the end of the plan year).
- The carryover amount will apply to claims incurred during and after the claim filing period.

[Read the full U.S. Treasury press release.](#)

## 2014 Health FSA Dollar Limit Unchanged at \$2,500; Other Tax Benefits Changing

The IRS has confirmed that for 2014, the dollar limitation on employee salary reduction contributions to health FSAs is unchanged at \$2,500.

In the same announcement, the IRS outlines other 2014 cost-of-living adjustments (COLAs) for a wide variety of tax-related limits. To learn more about these changes, including limits relating to salary reductions under health FSAs, qualified transportation fringe benefits, adoption assistance, dependent care assistance programs (DCAPs), the small business healthcare tax credit, and Archer MSAs, [read the full announcement.](#)

## Thank You!

We value your business and hope this information was helpful. If you have questions, you're always welcome to contact us by phone or email.

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