

THE HEALTH FSA CARRYOVER



The US Treasury Department issued Notice 2020-33 for the Health Flexible Spending Account (FSA) Use-or-Lose rule to allow up to a \$550 carryover of Health FSA funds. The carryover is applicable only to Health FSAs (not to Dependent Care FSAs). Any unused amount above the carryover limit is subject to forfeiture and cannot be cashed out or transferred to other taxable or nontaxable benefits (e.g., HSAs).

If your organization offers the carryover option, it's great news for you because:



You can now carry over **up to \$550** of your unused Health FSA funds at the end of the plan year.



The money you put in a Health FSA is **not taxed**, so assuming you pay a combined 40% state and federal tax rate, you're saving 40% on health care expenses funded through the account.

BEFORE CARRYOVER



JANUARY 1st

UP TO
\$2,650
AVAILABLE

Minus medical, dental and vision expenses



DECEMBER 31st

REMAINING BALANCE
\$450
AVAILABLE

\$0 AVAILABLE

FSA CARRYOVER



JANUARY 1st

UP TO
\$2,650
AVAILABLE

Minus medical, dental and vision expenses



DECEMBER 31st

REMAINING BALANCE
\$450
AVAILABLE

\$450 CARRYOVER

* This graphic is for informational purposes only. Plans vary by employer and this scenario may not be applicable for all employees.

The Health FSA carryover option may also apply to Limited FSA, an employer-sponsored benefit that is often used in conjunction with a Health Savings Account (HSA), offered with a high-deductible health plan.

If your organization offers carryover but you have chosen not to participate in the Health FSA program because of the Use-or-Lose rule, it's time to take another look.