

“Flexible Spending Account Plan Changes 2016”

The Flexible Spending Account (FSA) plan has two changes beginning 1/1/16. These are noted in the “FSA Frequently Asked Questions” document from LD&B. However, they are important enough that we want to point these out in more detail. Note these changes only affect the Medical Expenses; not Dependent Care.

1) The **allowable contribution will be \$2,550** (previously \$2,500). You still have until March 31 of the following year to submit expenses incurred in the current year.

- Example: You elect \$2,550 for FSA for 1/1/16 through 12/31/16. At the end of December you have a balance remaining. You may submit receipts/expenses through March 31, 2017 for allowable claims **INCURRED** between 1/1/16 and 12/31/16.

2) **A new option called the “carry-over” rule** goes into effect 1/1/16. If you are participating in the FSA plan for 2016 and do NOT use all of your money for expenses incurred in 2016, **up to \$500 of your remaining balance** will carry over to the next calendar year.

The best way to describe is with examples.

- Example #1: You elect \$2000 in 2016 but only submit claims for \$1000 by December 31, 2016. You have until March 31, 2017 to submit additional expenses incurred in 2016. If you still have the \$1000 as of March 31, 2017, you will forfeit \$500 and \$500 will carryover and can be used in 2017.
- Example #2: You elect \$2,000 in 2016 but only submit claims for \$1,000 by December 31, 2016. In January you find a lost bill \$700 from 2016 and you submit this by March 31, 2017. The \$700 will come from the remaining \$1,000 from 2016, leaving you with \$300 from 2016 that can be carried over to 2017.

If you do not elect to participate in the FSA for 2017, you still have the allowable remaining \$500 left from 2016 that you can use for expenses incurred in 2017.

If you elect to contribute in 2017, the expenses for 2017 will be paid from the new election first, then the carried over funds will be used.

- Example, in 2017 you elect \$2000 and still have \$500 remaining from 2016 for a total available of \$2500. In February 2017 you incur a bill for \$800. That will be taken from the new 2017 election of \$2000 leaving \$1200 + the carried over \$500. Then you have another bill in June for \$1500. The remaining \$1200 will be used + \$300 of the carried over \$500. That leaves \$200 of the carried over money that can be used no later than 12/13/16. If you have no additional expenses in 2017, the \$200 will carry over to 2018.

I know this sounds very confusing and it will take a time to adjust. The intent is to allow more flexibility in the FSA funding. With proper planning, it can essentially eliminate the “use it or lose it” rule.