What has changed?
In October 2013, the US Department of Treasury and the IRS amended the ‘use it or lose it’ rule to allow a limited amount of unused funds to rollover at the end of the plan year.

How much can you rollover?
The rollover amount can be up to $500. Your employer is responsible for setting the rollover limit. It cannot exceed $500.

Does the new rollover rule apply to limited-purpose or post-deductible FSAs?
Yes. Under the IRS guidance, the new ruling applies to all health FSAs.

Does the new rollover rule apply to dependent care FSAs?
No. Your dependent care FSA is independent of this health FSA ruling and remains unaffected.

If rollover is offered, does this change the $2,500 maximum annual FSA election?
No. As an example if the full $500 were to rollover into the following plan year, and you elected to contribute the full $2,500 during that year, you would have a total of $3,000 available for reimbursement of FSA eligible healthcare expenses.

Does my rollover FSA impact my eligibility to participate in a health savings account (HSA)?
Participants in a traditional health FSA are not eligible to contribute to an HSA, but your employer can enable unused funds to be rolled into a limited-purpose FSA to preserve your HSA eligibility. Check your plan documents or consult the HR team to determine your policy for enrolling in an HSA.

Does the rollover option impact the ‘run-out period’?
No. You will still be able to file claims during the run-out period for expenses incurred during the plan year. This is very useful if you have more than $500 in your FSA account at the end of the year. Check your plan document for the exact length of your run-out period.

Do I have to elect a health FSA in the future plan year to allow funds to rollover?
No. However, you will be limited to only the rollover amount for healthcare expenses in the next plan year. Although you may not be contributing during the rollover year, you remain an FSA participant until your rollover funds are exhausted or your employment is terminated.

How does the rollover apply to a short plan year?
Funds rollover is allowed and available for short plan years.

How is the rollover amount calculated?
The carryover amount is determined after all expenses have been reimbursed for that plan year (at the conclusion of the plan’s run-out period). For example, if a plan has a run-out period that ends on March 31 of the following calendar year, the amount rolled over into the next plan year will be equal the amount remaining in the health FSA account after March 31 of the current year (up to the rollover amount elected by the employer; not to exceed $500). Any unused amount in excess of $500 (or, if lower, the rollover amount elected by the employer) is forfeited.

How long do I have to use my rollover funds?
According to the IRS ruling, “The carryover of up to $500 may be used to pay or reimburse medical expenses under the health FSA incurred during the entire plan year to which it is carried over.” The expense must be incurred by the last day of the plan year into which the funds were rolled over. However, if you terminate employment, then you are only eligible for reimbursement for claims with dates of service on or before your termination date.
In what order are funds utilized for new claims?
According to the guidance examples, current year funds should be used prior to any rollover funds being used.

Can I use my benefits debit card to access rollover funds?
Yes. Your benefits debit card will access current year funds and then rollover funds.

Are rollover amounts cumulative?
No. The rollover amount from one year to the next is capped at $500. For example, if you have $500 that rolls over from 2014 to 2015, and then you contribute $500 in 2015, but do not file any claims during 2015, the rollover amounts cannot be combined to rollover $1,000 into plan year 2016. You can only rollover $500 from one year into the next.

What happens to the rollover if my employment is terminated?
If you leave the company mid-plan year, you are not eligible to receive rollover funds. However, you have a run-out period to submit claims within the dates of service for which you were eligible for reimbursement.