COVID-19 summary for FSAs in 2021

COVID-19 Relief Bill

On December 27, 2020, President Trump signed the COVID-19 Relief Bill, which allows for changes to flexible spending accounts. Below are details about the applicable provisions of the bill.

- Increases the Medical Spending Account (MSA) and Limited-use MSA carryover for 2020 and 2021 to the full unused amount.
- Extends the Dependent Care Spending Account (DCSA) grace period for 2020 and 2021 to December 31 of each following year.
- Increases the age limit for DCSA-eligible dependents to age 13 for 2020 DCSA participants with unused 2020 funds who had a dependent who turned age 13 during 2020.
- Allows for certain prospective changes during the 2021 plan year.

MSA and Limited-use MSA carryover

The bill increases the maximum MSA carryover amount for plan years 2020 and 2021 from $550 to the full amount of unused funds.

- **2020 participants:** Allowed to carry over the full amount of unused funds remaining after the March 31, 2021, reimbursement deadline into the 2021 plan year.
- **2021 participants:** Allowed to carry over the full amount of unused funds remaining after the March 31, 2022, reimbursement deadline into the 2022 plan year.

DCSA grace period

The bill extends the DCSA grace period for plan years 2020 and 2021 from March 15 to December 31 of each following year.

- **2020 participants:** Allowed to incur expenses through December 31, 2021, and submit claims for reimbursement using their 2020 funds by March 31, 2022. Participants will forfeit 2020 funds left in their account after the reimbursement deadline.
- **2021 participants:** Allowed to incur expenses through December 31, 2022, and submit claims for reimbursement using their 2021 funds by March 31, 2023. Participants will forfeit 2021 funds left in their account after the reimbursement deadline.

DCSA age limit

The bill makes a temporary change to the maximum age limit for eligible dependents in one limited circumstance:

- The employee must have been enrolled in a DCSA for the 2020 plan year; **and**
- The employee's dependent child must have reached age 13 during 2020; **and**
- The employee must still have unused 2020 DCSA funds available.

Employees who meet all of these conditions may request reimbursement for any eligible dependent care expenses incurred January 1, 2020, through December 31, 2021, for that child until the child reaches age 14. For employees who do not meet all of the above conditions, the normal rule applies, which states participants can seek reimbursement for eligible dependent care expenses for children until they reach age 13.

American Rescue Plan Act of 2021

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021. The Act increases the DCSA maximum contribution limits for the 2021 plan year. The new contribution limits are below.

Tax filing status	New limit
Married, filing separately	$5,250
Single, head of household	$10,500
Married, filing jointly	$10,500

Prospective enrollment changes

Based on the provisions in these bills, PEBA is allowing employees to make prospective changes to MSAs, Limited-use MSAs and DCSAs without a qualifying change in status in 2021. Employees can make the changes below to their flexible spending accounts for plan year 2021. Changes can be made anytime during 2021, but no later than November 30, 2021.

Employers should consider the amount an employee has contributed during 2021 if the employee requests to make a change. We encourage employers to use the *ASI MoneyPlus Year-to-Date Contribution Report* (HIS763NP) that is available in EBS to verify year-to-date contributions.

It's also important to note that there have not been any changes to the rules on expenses eligible for reimbursement from flexible spending accounts. As in all other years, IRS rules continue to prohibit refunding contributions. The maximum contribution limit for MSAs has not changed. The maximum contribution limit for DCSAs has increased to $10,500 (or $5,250 for those who married, but file separately).

The following is a description of the prospective enrollment changes that may be made without experiencing a qualifying change in status. Any other enrollment changes, such as ceasing participation in a flexible spending account, continue to require a corresponding qualifying change in status and will be processed under normal Plan rules.

Make a new MSA, Limited-use MSA or DCSA election

Employees who do not currently participate in an MSA, Limited-use MSA or DCSA can enroll up to the maximum contribution limit.

To enroll:

1. Employees should complete an *Active Notice of Election* (NOE) form and return it to their benefits administrator.

2. Indicate “COVID” at the top of the NOE as the change reason and include the total number of pay periods for the year at the top of the NOE.

ASIFlex will calculate the expected contribution amount based on the annual election amount and remaining pay periods.

The change will be effective the first of the month following PEBA receiving a completed NOE, and the participant will have a new payroll deduction that will continue for the remainder of the Plan year. PEBA must receive the NOE by November 30, 2021.

The participant can seek reimbursement for any eligible expenses incurred after the effective date of his election under normal Plan rules for claims filing and reimbursement.

Increase a current MSA, Limited-use MSA or DCSA election

Employees who currently participate in an MSA, Limited-use MSA or DCSA can increase their annual election amount up to the maximum contribution limit.

To increase an election:

1. Employees should complete an *Active Notice of Election* (NOE) form, including the new total annual election amount (initial election amount + the increased amount), and return it to their benefits administrator.
2. Indicate “COVID” at the top of the NOE as the change reason and include the total number of pay periods for the year at the top of the NOE.

ASIFlex will recalculate the expected contribution amount based on the new annual election amount, the remaining pay periods and the amount the participant has already contributed.

The change will be effective the first of the month following PEBA receiving a completed NOE, and the participant’s payroll deduction amount will increase and continue for the remainder of the Plan year. PEBA must receive the NOE by November 30, 2021.

The participant can seek reimbursement for any eligible expenses incurred since January 1, 2021 (or the effective date of his election if he began participating after January 1), under normal Plan rules for claims filing and reimbursement.

Decrease a current MSA, Limited-use MSA or DCSA election

Employees who currently participate in an MSA, Limited-use MSA or DCSA can decrease their annual election amount; however, the decrease cannot be greater than the amount that has already been contributed by or reimbursed to the participant. Additionally, participants cannot receive a refund of funds they have already contributed.

To decrease an election:

1. Employees should complete an *Active Notice of Election* (NOE) form, including the new total annual election amount, and return it to their benefits administrator.
2. Indicate “COVID” at the top of the NOE as the change reason and include the total number of pay periods for the year at the top of the NOE.

ASIFlex will recalculate the expected contribution amount based on the new annual election amount, the remaining pay periods and the amount the participant has already contributed.

The change will be effective the first of the month following PEBA receiving a completed NOE, and the participant's payroll deduction amount will decrease and continue for the remainder of the Plan year. PEBA must receive the NOE by November 30, 2021. The $2.32 monthly administrative fee will still apply because the account is active.

The participant can seek reimbursement for any eligible expenses incurred since January 1, 2021 (or the effective date of his election if he began participating after January 1), under normal Plan rules for claims filing and reimbursement.

Stop future contributions to an MSA, Limited-use MSA or DCSA

Employees are able to stop future contributions only if they have contributed more than the amount they have been reimbursed.

To stop future contributions:

1. Employees should complete an *Active Notice of Election* (NOE) form, including the new total annual election amount, which will be equal to the total amount they have already contributed, and return it to their benefits administrator.
2. Indicate "COVID" at the top of the NOE as the change reason and include the total number of pay periods for the year at the top of the NOE.

ASIFlex will recalculate the expected contribution amount ($0) based on the new annual election amount, the remaining pay periods and the amount the participant has already contributed. The $2.32 monthly administrative fee will still apply because the account is active.

The change will be effective the first of the month following PEBA receiving a completed NOE, and the participant's payroll deduction amount will stop. PEBA must receive the NOE by November 30, 2021.

The participant can seek reimbursement for any eligible expenses incurred since January 1, 2021, under normal Plan rules for claims filing and reimbursement.