Flexible Spending Accounts Just Got More Flexible
Consolidated Appropriations Act 2021

New COVID relief legislation (the Consolidated Appropriations Act (CAA), signed into law on December 27, 2020) allows us to make changes to improve your Healthcare Flexible Spending Account and/or your Dependent Care Flexible Spending Account.

It has been a tough year; however, we’re so proud of the work we have all accomplished together. We’re taking advantage of the changes now permitted under the CAA in order to make your Flexible Spending Account benefits work better for you.

Effective immediately, here’s what’s happening:

Healthcare FSA

We are increasing the carryover amount for the Healthcare FSA effective with the 2021 plan year. Prior to the passage of the Consolidated Appropriations Act, only amounts of $550 or less of unused funds would be permitted to carry over into 2021. With the passage of the CAA, we are allowing the full balance of your unused funds from 2020 to carry over into the 2021 plan year.

The carryover will occur after March 31, 2021. Even if you did not elect to renew your healthcare FSA for the 2021 plan year, any remaining balance in your 2020 healthcare FSA will be applied in a new account for use in year 2021. No action is needed from you.

If you had a Healthcare FSA in 2020 and are now covered on the High Deductible Health Plan with HSA, any unused funds in your 2020 FSA will be carried over and placed in a Limited Purpose FSA. This will allow you to maintain HSA eligibility while keeping your FSA funds for vision and dental expenses in 2021.

As a reminder, if you have a remaining balance in your 2020 healthcare FSA and have outstanding receipts for services incurred in the 2020 plan year, you may still submit those receipts for reimbursement from the account up until March 31, 2021. After March 31, any remaining balance will be automatically rolled over and applied to your 2021 account balance for use on 2021 expenses.

Dependent Care FSA

Historically, there has never been a carryover of unused funds permitted in a Dependent Care FSA. The Consolidated Appropriations Act now permits a carryover for the first time ever and for this year only.

Any unused funds in a 2020 Dependent Care FSA account will automatically be carried over for use in 2021. Similar to the new carryover rule permitted with a healthcare FSA, there is no limit on the amount of the carryover for the Dependent Care FSA for this year. The carryover will occur after March 31, 2021, even if you did not re-enroll in a DC FSA for the 2021 plan year (in that case, a new account will be started for you). No action is needed from you. This is a one-year change in the law and is not expected to continue past 2021.
We are also temporarily increasing the age for qualifying dependents from 13 to 14. If you had a qualifying dependent who turned (or will turn) age 13 during the 2020 or 2021 plan years, you may be able to use any unused funds from your Dependent Care FSA for expenses for that child until they turn 14.

*As a note: Historically, if an employee’s combined contributions and subsequent reimbursements from a Dependent Care FSA exceed $5000 in a tax year the employee would be required to claim this excess on their 1040 tax form and the overage would be converted into taxable income. With the allowance of a carryover of unused funds from 2020 some employees may be faced with this for the 2021 tax year. We are awaiting further guidance from the IRS on this and will communicate with you once they have reached a resolution.

**Changes in Elections for Healthcare and Dependent Care FSA Accounts without a Qualified Life Event**

Due to the increased carryover amounts permitted in both the Healthcare and Dependent Care FSA you may be faced with larger FSA amounts than you expected or can use.

We will allow, for a limited time, a one-time reduction in your 2021 FSA elections without a Qualifying Life Event (QLE). If you would like to reduce your FSA elections in either account please complete the attached form and return to INBEN@lehigh.edu. All changes to your elections will be on a prospective basis and elections cannot be reduced to an amount less than your year to date contributions or reimbursements.

The deadline for submitting the change request is April 15, 2021. Any request for a change to your FSA election after April 15, 2021 will require a qualifying life event in order to be approved and processed.