

On December 27, 2020, the [Consolidated Appropriations Act of 2021](#) was signed into law. As we communicated last week, this Act includes several optional provisions for Flexible Spending Accounts (FSAs), Limited Purpose Flexible Spending Accounts (LPFSA) and Dependent Care Flexible Spending Accounts (DCAs). These provisions are meant to provide additional relief for employees impacted by the COVID-19 pandemic.

The most immediate relief applies to those employees who have large unused balances in their FSA, LPFSA and DCA accounts. Employers can now allow employees to carryover ANY unused funds for plans ending 12/31/2020 into the 2021 and 2022 plan years. Given the deadline of tomorrow, **we have automatically increased your plan's carryover limit to \$2,750 for FSA and LPFSA, and if your DCA did not have a grace period feature, we have applied this carryover feature to that plan.**

We are aware these are *optional* provisions; however, because your plan year ends 12/31/2020, we did not want you or your employees to miss out on this additional benefit.

If you do not wish to take advantage of this provision, please contact your designated Clarity Client Relationship Manager or call our Employer Services Team at 888-423-6359. If you agree with the changes we have applied, no action is required.

The [Consolidated Appropriations Act of 2021](#) also allows for additional updates to FSA, LPFSA and DCAs that do not have to be implemented this week. We are actively reviewing these additional provisions and developing a solution for employers who wish to update their plans to easily request these changes. There is no action on your part at this time.

**Additional extensions included in the bill that could apply to your plans:**

- Extension of your DCAs grace periods for up to 12 months for plan years ending in 2020 and 2021.
- Employees who terminate during 2020 or 2021 can spend down unused balances through the end of the plan year. This is similar to what is already permitted for DCAs.
- Extension of the DCA age limit for qualifying children from 13 to 14 for a plan year for which open enrollment ended before January 31, 2020, and for any unspent funds from that plan year that are available (either by rollover or grace period) to the employee during the following plan year.

Next week, we will follow-up with more details on these additional extensions and instructions on how you can provide this additional relief to your employees.

Sincerely,  
Clarity Benefit Solutions

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