

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).

This year, many Americans chose to delay standard medical, dental, vision and voluntary procedures due to the risk of COVID-19. In addition, since most employees are working from home, the need for dependent care has been significantly reduced. Due to this, many individuals have large unused balances in their reimbursement accounts that they will lose effective December 31st. The carryover or grace period provisions provided in the Act are meant to provide much-needed additional relief to these individuals. We encourage you to take advantage of these new provisions.

In order to easily provide this additional relief, we are actively developing a solution to allow you to opt into these changes. There is no action needed at this time other than considering which provisions you would like to offer to your employees. We will follow-up next week with additional details on all the provisions and provide opt-in instructions.

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

- Allow employees to carry over any remaining balances at the end of plan years ending in 2020 and 2021 into the following plan year.
- Increase carryover amount for your FSAs and LPFSAs to \$2,750 and increase the carryover amount for your DCAs to \$5,000.
- Allow employees who terminate during 2020 or 2021 to spend down unused balances through the end of the plan year. This is similar to what is already permitted for DCAs.
- Extend your DCAs grace period for up to 12 months for plan years ending in 2020 and 2021.
- 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 unused funds from that plan year that are available (either by rollover or grace period) to the employee during the following plan year.

If you have any questions, please contact your designated Client Relationship Manager or our Employer Services Team at 888-423-6359. Please be advised that our office is closed on 1/1/2021 for the New Year holiday. We will resume normal business hours starting 1/4/2021.

Sincerely,  
Clarity Benefit Solutions

**Stay Connected.**

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