

Dear Valued Client,

On December 21, 2020, the House of Representatives and the Senate passed a government funding and pandemic aid package called the [Consolidated Appropriations Act of 2021](#). The Act is expected to be signed by the President in the coming days, as existing measures are set to expire at the end of 2020.

This Act includes several optional extensions that could impact Flexible Spending Accounts (FSAs) and Dependent Care Flexible Spending Accounts (DCAs). We want you to know that Clarity is carefully reviewing the details of this Act and the potential impacts it will have on FSA and DCA plans. We are also actively working on a process that will allow employers to easily alert us to any plan extensions they wish to take advantage of once the act is signed.

Potential optional FSA and DCA plan amendments included in the Act:

- Carryover of unused funds from plan year 2020 to 2021
- Carryover of unused funds from plan year 2021 to 2022
- Grace period for plan year 2020 or 2021 may be extended to 12 months after the end of the plan year
- Approved reimbursement to individuals after they are no longer an active participant in the FSA or DCA plan
- Updated age for children's dependent care to 13, from 12, for the 2020 plan year
- Approved prospective change in election amounts for FSA and DCA without a corresponding change in status event for plan years ending in 2021

Additional relief efforts included in the Act:

- Extension of tax credits on leave benefits by Families First Coronavirus Response Act (FFCRA)
- Extension and enhancement of Employee Retention Credits
- Additional funding for Paycheck Protection Program (PPP) loans, with updated eligibility requirements and a possible second loan for heavily affected small businesses
- Expanded unemployment insurance benefits
- Student loan provisions
- Direct stimulus payments
- Extended due date for repayment of deferred Employee Social Security tax

Please keep in mind that the FSA and DCA extensions are optional, and employers are not required to make changes to their current plans. Precautions should also be taken to ensure that any coverage extension (including grace period or carryover) does not adversely impact HSA eligibility. We will continue to monitor progress of the Consolidated Appropriations Act of 2021 and provide updates on our efforts to ensure these plan changes can be easily implemented if you choose to provide additional relief to your employees.

Sincerely,
Clarity Benefit Solutions

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