

# COVID-19 Flexible Spending Account Rollover Act

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Due to the impact that the COVID-19 epidemic is having on our nation's healthcare system, many states have suspended elective medical procedures and other non-emergency care to alleviate the strain on frontline workers and to protect patients from potential exposure. While this is undeniably the right strategy from a public health perspective, these limitations on planned procedures – including elective surgeries, routine physical exams, etc. – have affected how families routinely plan for these expenses, particularly for those who depend on a health care Flexible Spending Accounts (FSAs) to cover their out-of-pocket costs.

According to the Bureau of Labor Statistics, 41 percent of private industry employees and 69 percent of state and local government employees had access to a health care FSA in 2019<sup>1</sup>. These tax-exempt FSAs help employees save money and more effectively budget for planned medical expenses. A family making \$50,000 can save over \$800 in taxes or about 30% on their annual medical expenses if they contribute the maximum to their FSA. However, there are strict annual limitations on FSA contributions and typically the funds must be used within the same plan year. While some employers may offer a grace period of up to 2.5 months to use the funds and/or allow employees to roll over up to \$500 to the following plan year, when the plan year and/or grace period has ended, employees forfeit all unused funds.

Unfortunately, this means that countless workers who have already contributed to their FSA for the 2020 plan year will be forced to forfeit their funds due to no fault of their own. Given the growing financial uncertainty that folks are already facing, Congress should take action to help workers avoid these penalties during this crisis.

**The COVID-19 Flexible Spending Account Rollover Act** is a commonsense solution to this problem. The bill would amend Sec. 125 of the Internal Revenue Code to allow any FSA balances remaining at the end of the 2020 plan year to be rolled over to plan year 2021 without penalty to give employees greater flexibility to use these funds for planned medical expenses when it is safe to do so. This would be a simple one-year deferral, so any funds not used by the end of the 2021 plan year would still be forfeited. Additionally, the bill does not change existing employer policies regarding limited annual rollover or grace periods into plan year 2022.

*For further information, please contact Leah Cairns ([leah.cairns@mail.house.gov](mailto:leah.cairns@mail.house.gov)) in Rep. Kilmer's office.*

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<sup>1</sup> U.S. Bureau of Labor Statistics, National Compensation Survey. <https://www.bls.gov/ncs/ebs/home.htm>