HAYNES BOONE

IRS Modifies ?Ã‡Â£Use-It-Or-Lose-It?Ã‡Â¥ Rule for Health Flexible Spending Arrangements

November 6, 2013

Notice 2013-71 modifies the ?ÃÂ£use-it-or-lose-it?ÃÂ¥ rule for health flexible spending arrangements (?ÃÂ£***FSAs***?ÃÂ¥) by allowing plan sponsors to amend their cafeteria plan and FSA documents to allow a participant to carry forward into the next year up to $500 of any amount remaining in the participant?ÃÃs FSA at year-end.?Ã¡ Under the ?ÃÂ£use-it-or-lose-it?ÃÂ¥ rule, all unused amounts remaining in a participant?ÃÃs FSA had to be forfeited at the end of the year.?Ã¡ This new carryover option is an alternative to the grace period that is currently allowed (but only if the plan document includes a grace period feature).?Ã¡ Plan sponsors may amend their plans and FSAs to allow for a carryover from the 2013 to 2014 plan year, provided that (1) a grace period feature is not already included (or is removed), (2) the amendment is signed by the end of the 2014 plan year, and (3) participants are timely notified of the carryover provision, which means the notice should be provided before the end of 2013.?Ã¡ Notice 2013-71 can be found **here**.