

Health FSA Carryover - Frequently Asked Questions

How much can I carry over? The State of Iowa allows the maximum IRS Health FSA carryover amount of \$500.

How long are the carryover funds available? December 31 of the following plan year, as long as you remain employed.

When are carryover funds made available to me? January 1 of the following plan year.

Is the carryover benefit automatically applied to my account? Yes. All current plan year Health FSA plan participants still employed on 1-1 of the following plan year are eligible to use the carryover option.



Do I need to be enrolled in the next plan year to take advantage of the carryover? No. If you have carryover funds, you do not need to enroll for the following plan year to submit claims incurred in the new year. You must be employed in the new year, but do not need to be enrolled in the plan. If you leave employment during the new year, your ability to use the funds ends at the end of the month in which you leave.

Does the grace period for health FSA still apply? No. The carryover option replaced the Health FSA grace period option. Employers cannot offer both options in the same plan year.

What about Dependent Care FSA claims? The carryover option does not apply to Dependent Care FSA accounts. The grace period option remains available.

Does the carryover option impact the IRS maximum deduction for Health FSA? No. The carryover amount is added to your payroll deduction election for the new plan year. ([See example](#))

If I don't use my \$500 carryover next year, can I carry it over again the following year? No. The maximum carryover amount of \$500, if unused, may be rolled to the following plan year only. You must remain employed to submit claims for carryover funds.

What happens to any unused funds over \$500? Unused funds over the carryover amount are forfeited to the plan. The amount is determined after the April 15 claim filing deadline.

What claims can be reimbursed with carryover funds? Carryover funds may be used for eligible expenses incurred in the next plan year, as long as you remain employed.

What is the deadline for using the carryover funds? The deadline to incur claims is 12-31 of the following plan year only. The deadline for submitting claims for any carryover funds is April 15 of the year thereafter.

Which funds are used first (current deductions or carryover funds)? Your carryover dollars are the first to be spent when you submit a claim in the new plan year. Carryover funds must be used in the next calendar year or they will be forfeited.

Examples - An employee carries over unused contributions of \$500 from plan year 1 to plan year 2. He elects to contribute \$2,600 in plan year 2. His plan year 1 contributions **plus** the carryover amount are available for reimbursement of any eligible expenses incurred during plan year 2.

Example 1

Year 1 contribution election		\$	2,600
Year 1 expense claims/reimbursements	-	\$	<u>2,000</u>
Year 1 unused funds	=	\$	600

(Unused funds of \$600 is \$100 over maximum carryover amount of \$500. \$100 dollars is forfeited.)

Year 1 carryover		\$	500
Year 2 contribution election	+	\$	2,600

Funds available for Year 2 expenses = \$ 3,100

Example 2

Year 1 contribution election		\$	2,600
Year 1 expense claims/reimbursements	-	\$	<u>2,100</u>
Year 1 unused funds	=	\$	500

(Unused funds of \$400 does not exceed the maximum carryover amount of \$500. No funds are forfeited.)

Year 1 carryover		\$	500
Year 2 contribution election	+	\$	2,600

Funds available for Year 2 expenses = \$ 3,100