Twin Falls — Ozark National Forest, Arkansas

DataPath Administrative Services

Arkansas Grown. Benefits Focused.™

FSAs: Use It or Lose It? Not Anymore!

Flexible Spending Accounts, or FSAs, used to be “use it or lose it.” Any money your employees didn’t spend by the deadline was forfeited to the employer. Being afraid of losing money has always been the most common reason cited by non-participating employees as to why they chose not to elect an FSA. That fear costs both the employee and the employer, since neither of you is getting the tax savings associated with FSA participation.

But now you have options. Thanks to a recent ruling by the IRS, called the FSA Carryover, your plan can choose to allow unused FSA account balances to be rolled over to the following plan year, up to a maximum of $640 per employee.

The advantage for employees is obvious. But it’s equally important for employers. FSA Carryover erases the biggest obstacle to employees choosing to participate in your FSA plan. And when employee participation increases, your employer tax savings increase as well. Most employers will find that they gain far more in additional tax savings than they lose from not receiving forfeitures.

Add Carryover and Watch Participation Rise

Adopt FSA Carryover for the forthcoming plan year and watch as your participation levels rise and your payroll taxes decrease!

Use it or lose it? Not anymore for balances of $640 or less. Ask for more details on adding FSA Carryover to your plan.

Carryover or Grace?

Your plan cannot adopt both Carryover and the 2½-month Grace Period for the same year. Whichever you choose, though, your plan can still include a runout period, and your choice is not permanent — so if you later decide that the Grace Period better suits the needs of your employees, you can switch back.

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