



Optional Grace Period Added to FSA Regulations

The Treasury Department is now permitting employers to add a grace period of 2 months and fifteen days at the end of their FSA and DCAP plan years. Employees will then be able to submit claims for reimbursement that were ***incurred during the grace period***, effectively giving employees 14 ½ months to use their FSA or DCAP funds. The "use-it-or-lose-it" provision remains in effect, but the grace period gives employees an expanded window of time to spend the funds they have set aside on a pre-tax basis.

Employers who choose to adopt the grace period may do so immediately, but they will need to update their plan documents accordingly. Conversely, it is not mandatory for employers to add this grace period to their plans.

Please click on the link below to access the Treasury Department's press release regarding this change.

<http://www.treas.gov/press/releases/js2456.htm>

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