



Flexible Spending Account (FSA) Plans allow for a “grace period” that can give up to 2 ½ months for participants to incur claims after the close of the plan year from the previous plan year’s funds. The IRS allows employers to offer the Grace Period under their FSA plan. It is not a requirement nor can it be offered along side the Rollover feature. An employer must determine if they want to offer the Grace Period, the Rollover or none of the options when setting up the Plan Year.

Your employer has elected to offer the 2 ½ month extension (grace period) for the Flexible Spending Account Plan. What does this mean to you as a participant?

Although the Plan Year runs on the calendar year (January 1 through December 31), you will have the opportunity to still incur expenses after December 31 and get reimbursed under the current Plan. The Plan will allow a “grace period” through March 15<sup>th</sup> of the following year, allowing you to incur expenses in the first 2 ½ months of the following calendar year, which may be applied to the previous calendar year’s plan.

You will still have until March 31<sup>st</sup> to submit claims for services that qualify under the prior calendar year plan. Remember, should you not submit qualified claims to BCC by March 31<sup>st</sup> for expenses eligible in the prior calendar year, any amounts remaining in the account are forfeited.

***The Grace Period is only available to employees who were still active participants in the Flexible Spending Account program as of the last day of the calendar year. Those who have terminated coverage prior to the last day of the calendar year are not eligible for the grace period and may only submit claims for services through the end of the month of their termination of coverage under the Flexible Spending Account program.***

### **HERE IS AN EXAMPLE OF HOW THE GRACE PERIOD WORKS:**

Assume that you elect an annual benefit under the Health Care Flexible Spending Account of \$1,200. At the end of the Plan Year (December 31), you have only incurred \$1,000 of eligible expenses. Instead of forfeiting the remaining \$200, any eligible expenses incurred during the grace period (January 1<sup>st</sup> through March 15<sup>th</sup> of the next calendar year), will be treated as having been incurred in both the Plan Year in which the expense was incurred as well as the preceding Plan Year. This means that if you incur an eligible expense of \$500 during the “Grace Period,” \$200 of the expenses would be treated as having been incurred during the prior Plan Year and the remainder of the expense (\$300) would be treated as having been incurred during the Plan Year in which the expense was actually incurred.

This benefit feature may appear confusing; therefore we do recommend that you still make all attempts to incur all the services in the calendar year. This extension may be viewed as a “safety net” should you not incur all expenses in the previous calendar year plan. This benefit is available under both the Health Care and Dependent Care Flexible Spending Accounts.

Any questions? Be sure to contact BCC at the Service Center toll Free Phone: 800-685-6100