



IRS Releases Guidance Allowing Temporary Changes to Section 125 Cafeteria Plans

Dear TPSC Partner:

The Internal Revenue Service (IRS) has released guidance to allow temporary changes to section 125 cafeteria plans. These changes extend the claims period for health flexible spending accounts (FSAs) and dependent care assistance programs (DCAP) and allow participants to make mid-year changes.

The guidance addresses unanticipated changes in expenses due to the COVID-19 pandemic and provides previous relief for high deductible health plans which can be applied retroactively to January 1, 2020 and it also increases for inflation the \$500 carryover amount for health FSAs to \$550 (2020 carryover to 2021).

Grace Period:

extended to incurred dates through 12/31/2020 for FSA or DCAP if participant has a remaining balance

Mid-year Elections:

allows participants to make mid-year elections for health coverage, health FSAs, and DCAP, due to COVID-19 pandemic

HDHP:

applying earlier relief for HDHP plans to cover expenses related to COVID-19, and exemption (temporary) for telehealth services back to January 1, 2020

Employers have the option to update current plans to allow participants to make mid-year changes based on the IRS guidance.

Please notify your TPSC Benefits Account Manager if you choose to allow the changes outlined that affect your plan. All eligible employees will also need to be notified of any plan changes.

If you have any questions or concerns regarding these changes, your Account Manager will be happy to assist you.

Thank you for your valued partnership,

The TPSC Team