



Grace Period Changes

In a time of emergency or significant impact, changes to the Grace Period settings on a benefit plan, even if it is mid-year or after the end of a plan year can help. If the Grace Period for a plan has not expired, it can be extended up to two (2) months and 15 days from your plan year end date. Please note the Grace Period must be equal to or less than your Runout Period end date.

Why should you consider making a change?

The IRS release new guidance to provide relief from certain rules under the Section 12 of the Internal Revenue Code due to the COVID-19 pandemic. The notice relaxes the use-it or lose-it rule and allows for extended time frames to submit claims for Healthcare FSA and Dependent Care FSA plans.

Under this new ruling, employers may amend their Section 126 plans to allow participants to use amounts remaining in a Healthcare FSA or Dependent Care FSA at the end of grace period or plan year that ends in 2020, for claims incurred through December 31, 2020. This change applies to all plans, even if grace period was not initially in the plan design.

For example, if a participant had a balance of \$1,000 in their Healthcare FSA with a grace period end date of March 15, 2020, they would be able to submit claims incurred through December 31, 2020 against that balance.

Please note: these changes are *optional* for employers but require a Plan Amendments/Summary of Material Modification (SMM) should an employer want to extend these changes for the plans.

Things to Know:

- **Grace Period cannot extend beyond Runout Period**

Runout Period allows time for a participant to submit expenses that were incurred in plan year or in Grace Period. Therefore, Grace Period cannot extend beyond Runout. In fact, it is advisable to allow participants some runout after the end of a Grace Period.

- **Changes to Grace Period and Runout can influence Finalization**

When you change Grace Period, and therefore change Runout Period for a plan, you will impact the date when finalization occurs. However, if Grace Period is extended without changing Runout, then there is no impact to finalization.

- **Grace Period is not used on all accounts**

Grace Period is not used on plans that have Carryover/Rollover. It is commonly used for Dependent Care FSA and Healthcare Premium Reimbursement accounts.



Additional Resources

We want to help! You don't need to be a TASC customer to call our hotline or download our helpful documents.

| General questions on this information | Want us to make changes to your TASC plan? | Want guidance for another benefits TPA? |
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|  Call our Special Forces COVID-19 hotline: Call 1-833-433-1002 |  Contact us to do all or part of this work effort for you: 1-888-595-2261, or Get Started. | Share our How-To document with your administrator: Get Started. |

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IMPORTANT NOTE: Implementing or extending the Grace Period may constitute a significant change in coverage resulting in an improvement of a benefit package option. Please see the document under Changes to Plan Configuration and Elections.

Why TASC?

For more than 40 years, TASC has been a leader, an innovator, and a partner of employers committed to ensuring the health, wealth and well-being of their employees and their employees' families and community. TASC was a pioneer in assisting sole-proprietor farmers and small businesses save billions in tax dollars through the adoption of health reimbursement plans; challenging many ill-informed IRS auditors, accountants, and naysayers along the way. TASC, through FlexSystem, brought the idea of a Cafeteria Plans to large and small businesses; challenging the notion that such plans were burdensome, complicated and difficult to administer.

There from the beginning of Section 125, TASC has brought its knowledge and expertise forward with the idea that together we can improve lives of many, strengthen our communities, and make benefits feel like benefits. TASC understands that each employers circumstance is different. TASC offers its guidance based upon the wealth of its experience as an employer and as a benefits administrator. It is not legal or tax advice and should not be taken as such but is offered to prompt knowledgeable inquiry of your plan professionals and provoke thoughtful plan decision making.

TASC provides its clients with an audit guarantee with respect to serviced tax advantaged accounts. Subject to certain conditions and restrictions, this guarantee provides that in the event a client suffers an adverse finding by the IRS or Department of Labor, despite following TASC's plans and procedures, resulting in interest charges and/or assessed penalties, such interest and penalties will be covered by the guarantee.