



Grace Periods for Flexible Benefit Plans

How Grace Periods Affect Flexible Spending Account Participants

IRS Notice 2005-42 enables employers to offer up to a 2½-month grace period for flexible spending plans at the end of the plan year. Extended Grace Periods are optional. You should check with your employer for specifics on any grace period that may be offered with your plan. Following are some important issues of which participants should be aware regarding grace periods:

- The grace period is simply an extension of time for participants to spend down any money they have in their Flexible Spending Accounts (FSA) or Dependent Care Assistance Plans (DCA) that they haven't used during the plan year.
- During the grace period, participants may incur qualified medical, dental, vision or dependent care expenses and be reimbursed from the previous year's unused FSA or DCA funds.
- Participants cannot change their FSA or DCA elections mid-year, even if a grace period extension is added mid-year.
- FSA funds may not be used to reimburse DCA expenses during the grace period.
- During the grace period, your same card may be used. If you have excess funds from your previous plan year, you may continue to swipe your card. The money will be taken from your previous plan year prior to being taken from your current plan year.
- Eligible expenses incurred during the grace period in excess of the unused funds from the preceding plan year will be reimbursed from the current plan year's account.
- At the end of the grace period, any unused amounts in the FSA and/or DCA will be forfeited to the plan sponsor.
- An employee who has been terminated before the first day of the new plan year will not qualify for the grace period.
- You may have up to 2½ months beyond the plan year to continue incurring expenses.
- A "run-out" period, following the grace period, is usually 30 days. During this time, participants can submit receipts for eligible expenses incurred during the grace period

AN INDUSTRY LEADER

One of the first administrators to develop debit card technology, MGIS has been a leading benefits provider to the healthcare industry since 1969. A dedicated MGIS Account Manager supports you long after the sale with white-glove administration. Our website, www.We-R-CDH.com, offers tools to assist you and your employees with CDH information, savings calculators, and 24/7 account access.

THE COMPETITIVE ADVANTAGE IS YOURS

Tap the power of CDH savings and spending accounts from MGIS. Save your clients valuable tax dollars, increase employee satisfaction through increased participation and contributions, and increase your sales revenue.

LEARN MORE

To learn more about innovative CDH solutions from MGIS, contact:

Marsha Maresca at 800-969-6447 ext. 140,
marsha.maresca@mgis.com
or visit us on online at www.We-R-CDH.com.