

# Recent COVID-19 Regulatory Changes

## Broken Down by Change

Recently, Congress and the IRS made several regulatory changes to address the impact of the COVID-19 virus. Learn more about what these changes are and what they mean for your team members below. To view this information from a product-first perspective, see our [white paper](#).

### CONSOLIDATED APPROPRIATIONS ACT (CAA) OF 2021

Passed in December 2020, clarified in 2021 with IRS Notice 2021-15



#### Account carry over

Plans may permit an account to carry over all unused amounts from 2020 to 2021 and from 2021 to 2022;

**ACCOUNTS AFFECTED:** FSA & DCAP



#### 12-month grace period

Plans may permit a 12-month grace period for unused benefits for plan years ending in 2020 or 2021;

**ACCOUNTS AFFECTED:** FSA & DCAP



#### Prospective change in election amounts

The option for plans to allow a prospective change in election amounts for plan years ending in 2021 without a corresponding change in status event.

(This legislation is not mandatory; these are group-level choices. Groups are able to amend their plan document with the recent COVID Relief legislation until Dec. 31, 2022 for 2021 plan year changes.)

**ACCOUNTS AFFECTED:** FSA & DCAP



#### Spend unused balances

The option for plans to allow medical participants who terminate during the 2020 or 2021 plan year to spend down their unused balances for expenses incurred through the end of the plan year in which the termination occurred;

**ACCOUNTS AFFECTED:** FSA



#### Eligible age increase

The maximum age of eligible dependents is increased by one year;

**ACCOUNTS AFFECTED:** DCAP

### AMERICAN RESCUE PLAN ACT (ARPA) OF 2021

Passed March, 2021

#### Increase to maximum amount excluded from an employee's gross income.

This law increases the maximum amount that may be excluded from an employee's gross income in 2021 under a dependent care assistance program (DCAP). The maximum amounts increased from \$5,000 to \$10,500 for married parents filing taxes jointly or for single parents, and from \$2,500 to \$5,250 for married parents filing separately per calendar year. Please note that these limits apply to the 2021 tax year, and that non-calendar year plan participants should take this into consideration when making annual elections.

**ACCOUNTS AFFECTED:** DCAP



#### Deadline extension

Announced on March 17, 2021, the IRS extended this year's federal tax return filing deadline from April 15 to May 17. This also applied to Form 1040 and allowed HSA holders to make HSA contributions for the 2020 tax year until May 17, 2021. Three states affected by the winter storms, Texas, Oklahoma, and Louisiana, were granted an additional extension. The IRS announced on March 29, 2021 an extension to the filing date for 5498s to June 30, 2021.

**ACCOUNTS AFFECTED:** HSA

### DOL NOTICE 2020-29 & DOL NOTICE 2021-01

Originally passed in 2020, Updated March 23, 2021

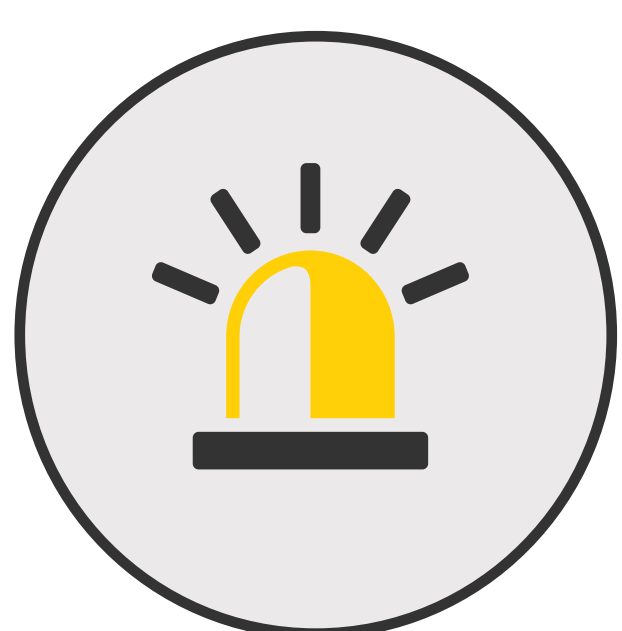
#### Tolling of certain required time periods is adjusted for an "outbreak period".

DOL Notice 2020-29 announced tolling of certain required time periods during an "outbreak period" beginning March 1, 2020 and ending earlier than one year after the required action date (e.g., notice or claim filing) or 60 days after the National Emergency ends.

DOL Notice 2021-01 clarified the "outbreak period" definition and renewed it for an additional year given the continued National Emergency.

- Mandatory for ERISA-covered plans and "recommended" for government plans.
- Affects the claim filing (runout) period for FSAs and HRAs and extends COBRA election and contribution periods for FSAs and HRAs.

**ACCOUNTS AFFECTED:** FSA, HRA & COBRA



### IRS NOTICE 2021-15

Passed February, 2021

#### CAA Clarifications

Clarifies the application of the Consolidated Appropriations Act (CAA) of 2021 to FSA, DCAP and HRA benefits. This includes permissible mid-year election changes for FSA and DCAP plans, extended carryovers and grace periods for FSA and DCAP plans, a qualified dependent age limit for the DCAP benefit, and the "spend down" rule for medical FSAs.

In addition, the notice clarified the allowed expenses for HRA plans.

**ACCOUNTS AFFECTED:** FSA, DCAP & HRA



### IRS ANNOUNCEMENT 2021-07

Passed March, 2021



#### PPE counts as amounts paid for medical care under § 213(d).

Allows tax-favored treatment for Personal Protective Equipment (PPE), such as masks, hand sanitizer, and sanitizing wipes, for preventing the spread of the COVID-19 virus, as amounts paid for medical care under § 213(d) of the Internal Revenue Code.

**ACCOUNTS AFFECTED:** HSA, FSA, HRA & VEBA

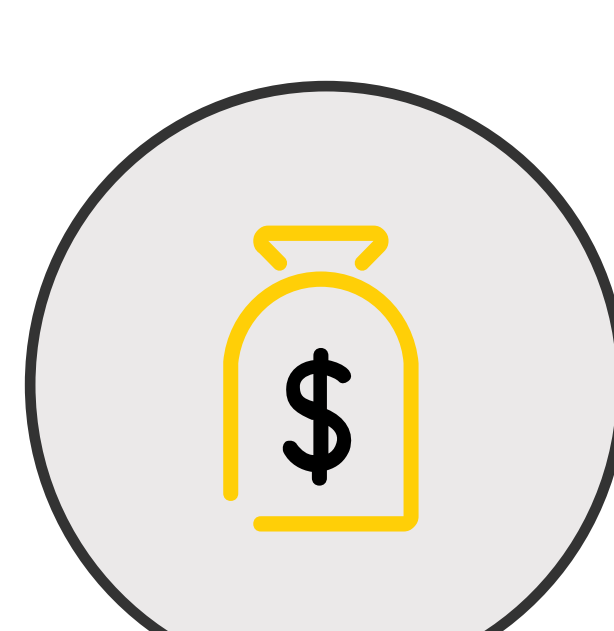
### IRS NOTICE 2021-26

Passed May, 2021

#### DCAP benefits excluded from employee taxable income for 2021 and 2022.

Clarifies DCAP benefits that were available in 2021 and 2022 will be excluded from an employee's taxable income when they are used in those years. In addition, these amounts will not be considered when determining the dollar limit on DCAP benefits in 2021.

**ACCOUNTS AFFECTED:** DCAP



For more information on how to act on some of these changes, see our [white paper](#). The Further customer team is always available to offer assistance and answer questions at 800-859-2144 and [CustomerSolutions@helloofurther.com](mailto:CustomerSolutions@helloofurther.com).