FlexibleBenefit ADMINISTRATORS

Employee FAQ:

Rollover Provision for FSA

What is the Rollover Provision?

The IRS amended the use-it-or-lose-it rule to allow a limited amount of unused funds to rollover at the end of the plan year. Although the IRS notice calls it "carryover", we call it "rollover" to match our plan feature.

How much can rollover?

Beginning for Plan Years starting in 2026, up to $680 in unused funds can rollover into the following plan year. While the employer can elect to allow less than $680 to be carried over, the same rollover limit must apply to all plan participants.

Does the rollover rule apply to limited-purpose or post-deductible FSAs?

Yes. Under IRS guidance, the new rule applies to all health FSAs.

Does the rollover rule apply to dependent care FSAs?

No. Your dependent care FSA is independent of this health FSA ruling and remains unaffected.

If rollover is offered, does this change the $3,400 maximum annual election?

No. For example: If the full $680 were to rollover into the following plan year and you elected to contribute the full $3,400 in that year, you would have a total of $4,080 available for reimbursement of eligible healthcare expenses that year.

Does my rollover FSA affect my eligibility to participate in a health savings account (HSA)?

Participants in a traditional health FSA are not eligible to contribute to an HSA, but your employer can enable unused funds to be rolled into a limited purpose FSA to preserve your HSA eligibility. Check your plan documents to determine your employer's policy for participants enrolling in an HSA.

Does the rollover option affect the run-out period?

No. You will still be able to file claims during the run-out period for expenses incurred during the plan year. This will be useful if you have more than $680 in your FSA account at the end of the year. Check your plan document for the length of your run-out period.

Do I have to elect a health FSA in the plan year into which funds are rolled over?

No, but you will be limited to only the rollover amount for healthcare expenses in the next plan year. Although you may not be contributing in the rollover year, you remain a participant until your rollover funds are exhausted or your employment is terminated.

How does the rollover apply to a short plan year?

Rollover of funds for a short plan year is allowed.

How is the rollover amount calculated?

The carryover amount is determined after all expenses have been reimbursed for that plan year (after the end of the plan's run-out period). For example, if a plan has a run-out period that ends on March 31 of the following plan year, the amount rolled over for a plan year is equal to the amount from that plan year remaining in the participant's health FSA after March 31 (up to the rollover amount elected by the employer, but no more than $680). Any unused amount in excess of $680 (or, if lower, the carryover amount elected by the employer) is forfeited.

How long do I have to use my rollover funds?

According to the IRS ruling, "The carryover of up to $680 may be used to pay or reimburse medical expenses under the health FSA incurred during the entire plan year to which it is carried over." The expense must be incurred by the last day of the plan year into which the funds were rolled over. However, if you terminate employment, then you are only eligible for reimbursement for claims with dates of service on or before your termination date.

In what order are funds utilized for new claims?

According to the guidance examples, current year funds should be used prior to any rollover funds being used.

Can I use my benefits debit card to access rollover funds?

No. The finds will stay in a seperate rollover account until the end of the run-out period so that previous year expenses can be submitted against the funds first. Once the runout period ends for the 2026 Plan Year, any remaining funds up to $680 will then be deposited into the 2027 FSA. Once those funds are deposited into the FSA, you can access them via your debit card.

What happens to the rollover if my employment is terminated?

If you leave the company mid-plan year, you are not eligible to receive rollover funds. However, you have a run-out period to submit claims within the dates of service for which you were eligible for reimbursement.

Are rollover amounts cumulative?

No. The rollover amount from one year to the next is capped at a maximum specified by your employer, please see Employee guide for more details.