**Hood College**

**FSA Plan Grace Period**

**The “use it or lose it” rule in your flex plan is now more flexible.**

The IRS has given employers the option to extend the deadline for employees to incur expenses for their Unreimbursed Medical (Health Care and Limited Purpose FSA) and Dependent Care Accounts.

For Hood College, that means you will not lose money you have left in your Flex account on the last day of the plan year (June 30). (The “lose it” provision still applies at the end of your Grace Period, but please keep reading.)

Hood College will continue to extend your deadline to incur expenses. The funds you will contribute to your FSA plan may be used for expenses incurred up to 2 1/2 months after the plan year end.

**For the prior plan year (7/1/2024-6/30/2025)** you may incur expenses between July 1, 2024 and September 15, 2025 to be claimed against the funds remaining from your 7/1/2024-6/30/2025 plan year elections. Your deadline to file claims for these expenses is December 15, 2025. Funds unused by December 15, 2025 will be forfeited as required by the IRS.

**For the current plan year (7/1/2025-6/30/2026)** you may incur expenses between July 1, 2025 and September 15, 2026 to be claimed against the funds remaining from your 7/1/2025-6/30/2026 plan year elections. Your deadline to file claims for these expenses is December 15, 2026. Funds unused by December 15, 2026 will be forfeited as required by the IRS.

**Q&A**

**What do I have to do to be eligible for the 2 ½ month grace period?** Nothing. You will have the Grace Period available to you automatically if you participate in the FSA plan.

**What happens if I terminate before the end of the Plan Year?** The grace period only applies to participants covered on the last day of the applicable plan year. If you terminate prior to the last day of the plan year, you will have 90 days from your termination date to submit claims for eligible expenses incurred through your termination date. The grace period will not apply.

**What happens if at the end of the grace period, I still have a balance in my prior plan year’s account but no eligible expenses to apply to that balance?** In this instance, the “use-it-or-lose-it” rule would apply and funds would be forfeited. The funds cannot be carried over to the next plan year, nor can they be received in cash or applied to other expenses.

**Can I incur claims in the grace period if I do not reenroll in a FSA for the subsequent plan year?** Yes. As long as you are an active FSA Participant on the last day of the prior plan year, you can incur eligible medical expenses during the grace period and submit claims against your remaining FSA balance from the prior plan year.

**Will claims incurred during the grace period be applied to the prior or upcoming plan year’s election?** Once the previous plan year’s FSA balance reaches zero, expenses incurred during the grace period will be reimbursed from the next plan year’s FSA balance.