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May. 12, 2020



The Internal Revenue Service has released guidance to allow temporary changes to section 125 cafeteria plans. These changes extend the claims period for health flexible spending arrangements (FSAs) and dependent care assistance programs and allow taxpayers to make mid-year changes.

The guidance issued today addresses unanticipated changes in expenses because of

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same qualified benefits through December 31, 2020.

- expanding the ability of taxpayers to make mid-year elections for health coverage, health FSAs, and dependent care assistance programs, allowing them to respond to changes in needs as a result of the COVID-19 pandemic.
- applying earlier relief for high deductible health plans to cover expenses related to COVID-19, and a temporary exemption for telehealth services retroactively to January 1, 2020.

Notice 2020-33 responds to Executive Order 13877, which directs the Secretary of the Treasury to “issue guidance to increase the amount of funds that can carry over without penalty at the end of the year for flexible spending arrangements.” The notice increases the limit for unused health FSA carryover amounts from \$500, to a maximum of \$550, as adjusted annually for inflation.

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