

116TH CONGRESS  
2D SESSION

# H. R. 7149

To amend the Internal Revenue Code of 1986 to provide special disposition rules for unused benefits in flexible spending arrangements of individuals for calendar year 2020.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 11, 2020

Mr. PALMER (for himself, Mr. COOK, Mr. HAGEDORN, Mrs. WAGNER, Mr. ADERHOLT, Mr. STIVERS, Mr. BALDERSON, Mr. PERRY, Mr. GIBBS, and Mr. STEWART) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide special disposition rules for unused benefits in flexible spending arrangements of individuals for calendar year 2020.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SPECIAL DISPOSITION RULES FOR UNUSED**  
4 **BENEFITS IN FLEXIBLE SPENDING ARRANGE-**  
5 **MENTS OF INDIVIDUALS IN PLAN YEAR 2020.**

6 (a) FSAS MUST ALLOW DISTRIBUTION OR ROLL-  
7 OVER IN 2020.—For purposes of sections 106, 125, and

1 129 of the Internal Revenue Code of 1986, a flexible  
2 spending arrangement must allow a qualified 2020 dis-  
3 tribution or rollover.

4 (b) TAXES APPLIED TO CERTAIN DISTRIBUTIONS.—  
5 For purposes of sections 125(a) and 129(a) of such Code,  
6 such sections shall not apply to any benefit distributed  
7 from a flexible spending arrangement for a use other than  
8 the qualifying benefit for which such arrangement was es-  
9 tablished.

10 (c) SPECIAL RULE FOR DISPOSITION OF UNUSED  
11 BENEFITS.—For purposes of such Code, a plan shall not  
12 fail to be treated as a cafeteria plan, health flexible spend-  
13 ing arrangement, or dependent care flexible spending ar-  
14 rangement merely because such arrangement provides for  
15 a qualified 2020 distribution or rollover.

16 (d) QUALIFIED 2020 DISTRIBUTION OR ROLL-  
17 OVER.—For purposes of this section, the term “qualified  
18 2020 distribution or rollover” means, for plan year 2020,  
19 any distribution at any time to an individual of all or a  
20 portion of the balance in the employee’s account under  
21 such arrangement, or the rollover of the balance in the  
22 employee’s account to plan year 2021.

23 (e) APPLICATION.—This section shall only apply to  
24 distributions or rollovers in plan year 2020.

1 **SEC. 2. CHANGE IN ELECTION AMOUNT.**

2 (a) IN GENERAL.—A plan or other arrangement that  
3 otherwise satisfies all applicable requirements of sections  
4 106 and 125 of the Internal Revenue Code of 1986 (in-  
5 cluding any rules or regulations thereunder) shall not fail  
6 to be treated as a cafeteria plan or health flexible spending  
7 arrangement merely because such plan or arrangement al-  
8 lows an employee to make, with respect to the remaining  
9 portion of a period of coverage within the applicable pe-  
10 riod—

11 (1) an election modifying the amount of such  
12 employee's contributions to such a health flexible  
13 spending arrangement (without regard to any  
14 change in status), or

15 (2) an election modifying the amount of such  
16 employee's elective paid time off. Any election as  
17 modified under paragraph (1) shall not exceed the  
18 limitation applicable under section 125(i) for the  
19 taxable year.

20 (b) ONE-TIME APPLICATION.—Paragraphs (1) and  
21 (2) of subsection (a) shall each apply to only 1 election  
22 change described in such paragraph with respect to an em-  
23 ployee (in addition to any other election changes during  
24 a period of coverage permitted under the plan or arrange-  
25 ment without regard to this section).

1 (c) APPLICABLE PERIOD.—For purposes of this sec-  
2 tion, the term “applicable period” means the period begin-  
3 ning on the date of the enactment of this Act and ending  
4 on December 31, 2020.

5 **SEC. 3. EXTENSION OF GRACE PERIODS, ETC.**

6 (a) IN GENERAL.—A plan or other arrangement that  
7 otherwise satisfies all applicable requirements of sections  
8 106, 125, or 129 of the Internal Revenue Code (including  
9 any rules or regulations thereunder) shall not fail to be  
10 treated as a cafeteria plan, health flexible spending ar-  
11 rangement, or dependent care flexible spending arrange-  
12 ment (whichever is applicable) merely because such plan  
13 or arrangement extends the grace period for the plan year  
14 ending in 2020 to 12 months after the end of such plan  
15 year, with respect to unused benefits or contributions re-  
16 maining in a health flexible spending arrangement or a  
17 dependent care flexible spending arrangement.

18 (b) POST-TERMINATION REIMBURSEMENTS FROM  
19 HEALTH FSAS.—A plan or other arrangement that other-  
20 wise satisfies all applicable requirements of sections 106  
21 and 125 of the Internal Revenue Code of 1986 (including  
22 any rules or regulations thereunder) shall not fail to be  
23 treated as a cafeteria plan or health flexible spending ar-  
24 rangement merely because such plan or arrangement al-  
25 lows (under rules similar to the rules applicable to depend-

1 ent care flexible spending arrangements) an employee who  
2 ceases participation in the plan during calendar year 2020  
3 to continue to receive reimbursements from unused bene-  
4 fits or contributions through the end of the plan year (in-  
5 cluding any grace period, taking into account any modi-  
6 fication of a grace period permitted under subsection (a)).

7 (c) DEFINITIONS.—Any term used in this section  
8 which is also used in section 106, 125, or 129 of the Inter-  
9 nal Revenue Code of 1986 or the rules or regulations  
10 thereunder shall have the same meaning as when used in  
11 such section or rules or regulations.

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