

Discovery Answers™

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Grace periods for Flexible Spending Accounts (FSAs)

This article explains how a grace period works as well as the benefits it provides.

A grace period allows you the opportunity to maximize the funds in your Flexible Spending Account (FSA) by extending the final date to incur expenses. Instead of immediately forfeiting any remaining funds at the end of the plan year due to the IRS use-or-lose rule, the grace period gives you an extended timeframe to spend your unused balance into the following plan year. Refer to your plan's Summary Plan Description to learn more. See [Summary Plan Description \(SPD\) FAQ](#).

Note: The Medical Flexible Spending Account (Medical FSA), Limited Medical Flexible Spending Account (Limited Medical FSA) and Combination Medical Flexible Spending Account (Combination Medical FSA) can have either a grace period or a carryover, but not both. For information about carryovers, see [Carryovers for Flexible Spending Accounts \(FSAs\) FAQ](#). The Dependent Care Flexible Spending Account (Dependent Care FSA) can only have a grace period.

How the grace period works

The grace period begins on the first day immediately following the last day of the plan year. In most cases, it ends two months and 15 days later. For instance, if the plan year ends on June 30, the grace period would begin on July 1 and end on September 15.

If the service date for an eligible expense falls during the grace period, the funds remaining from your prior plan year are used first. Once your prior plan year balance is depleted, funds available in the new plan year, if elected, become available.

If you have the benefits debit card, it will continue to work as normal, using the funds remaining in your prior plan year first.

Benefits of the grace period

- Access to any remaining funds after the plan year has ended
- Benefits debit card availability
- Flexibility for larger unplanned expenses during the grace period

Additional notes

- The grace period does not impact the run-out period, a set timeframe after the plan year ends in which you may file claims for expenses incurred during the prior plan year and the grace period, if applicable. IRS rules state that when the run-out period is over, any unused funds from the prior plan year are forfeited.
- The grace period does not impact your election amount for the next plan year.

For more information about the dates for incurring expenses and submitting claims for your FSA, see [How to determine the last day to incur expenses and the last day to file a claim](#).



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