

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE RESOLUTION No. 70

STATE OF NEW JERSEY

DATED: JULY 28, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Resolution No. 70.

This resolution urges the Internal Revenue Service (IRS) to grant more flexibility to users of flexible spending accounts (FSAs).

The COVID-19 pandemic has been a human tragedy that has affected the lives of millions worldwide. It has also impacted many individuals' health care and dependent care expenses resulting in many over- or under-estimated elections for FSAs.

FSAs are relied upon by millions of employees within the United States to pay for medical, dental, prescription, hearing, and vision expenses that are not covered by health insurance plans for themselves, their spouses, and their eligible dependents. FSAs can also be used to pay for dependent care services. Dependent care FSAs (DCFSA) can help participants pay for various dependent care services such as pre-school, summer day camp, before- and after-school programs, and child and adult day care. These FSAs allow for funds to be used on a pre-taxed basis, however, the IRS requires participants to estimate anticipated expenses for the upcoming year and make FSA elections accordingly. The IRS prohibits changes to participants' FSA accounts, and these strict rules prohibiting changes is especially problematic during unexpected crises such as the COVID-19 pandemic.

Although the IRS has attempted to make FSAs more flexible by allowing certain changes to mid-term elections within FSAs, extending grace periods to use unused FSA or DCFSA funds, and increasing the amount of health FSA funds that can be carried over into the next year, America's employees still require additional flexibility within FSAs. In addition, these IRA relief options are not mandatory, so employees can decide to implement all, some, or none at their own discretion. This discretion could result in certain employees not receiving necessary relief during this unprecedented time.

For these reasons, the IRS is encouraged to further increase flexibility within FSAs during the time of the COVID-19 pandemic.

FISCAL IMPACT:

This resolution is not certified as requiring a fiscal note.