



TaxNewsFlash

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Notice 2020-29, Notice 2020-33: Expanded relief for health-related cafeteria plans (COVID-19)

The IRS today released advance versions of two notices—Notice 2020-29 and Notice 2020-33—as guidance allowing temporary changes to section 125 cafeteria plans. The IRS notices extend the claims period for health flexible spending arrangements (FSAs) and dependent care assistance programs, and allow taxpayers to make mid-year changes.

According to a related IRS release ([IR-2020-95](#)), the notices issued today are intended to address unanticipated changes in expenses because of the coronavirus (COVID-19) pandemic; provide that previously provided temporary relief for high-deductible health plans may be applied retroactively to January 1, 2020; and reflect an increase of the \$500 permitted carryover amount for health FSAs to \$550 (adjusted for inflation annually).

[Notice 2020-29](#) [PDF 81 KB] (15 pages)—

- Extends the claims periods to apply unused amounts remaining in a health FSA or dependent care assistance program for expenses incurred for those same qualified benefits through December 31, 2020
- Expands the ability of taxpayers to make mid-year elections for health coverage, health FSAs, and dependent care assistance programs
- Applies the previously provided relief of Notice 2020-15 for high-deductible health plans to cover expenses related to COVID-19, and allows the temporary exemption for telehealth services retroactively to January 1, 2020 (read [TaxNewsFlash](#))

[Notice 2020-33](#) [PDF 68 KB] (12 pages) increases the limit for unused health FSA carryover amounts from \$500, to a maximum of \$550, as adjusted annually for inflation.

Notice 2020-33 also clarifies the ability of a health plan to reimburse individual insurance policy premium expenses incurred prior to the beginning of the plan year for coverage provided during the plan year. According to Notice 2020-33, the Treasury Department and IRS intend to revise the

proposed cafeteria plan regulations to reflect the guidance in this notice, but taxpayers may rely upon Notice 2020-33 in the meantime.

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