



**TO: Our Valued Clients and Brokers**  
**FROM: Health Plans, Inc.**  
**DATE: April 2, 2021**  
**RE: Dependent Care Reimbursement Accounts Under the American Rescue Plan Act**

The recently enacted American Rescue Plan Act (ARPA) of 2021 includes a number of provisions to provide financial support for families during the COVID-19 Public Health Emergency. Part of the financial support allows for an increase in contribution limits to Dependent Care\* Reimbursement Accounts (DCRAs) for calendar year 2021.

- For married couples filing joint tax returns, the limit is \$10,500, up from \$5,000.
- For single filers, the limit is \$5,250, up from \$2,500.
- Participants who carried over unused amounts from 2020 to 2021 will also be able to take advantage of the higher limits for reimbursements in 2021.

These new provisions are optional for employers; they are not required to increase the limits. An employer *may* adopt the higher limits for calendar year 2021 if an amendment to the plan is adopted by the last day of the plan year in which the increased limit is effective—for calendar year plans, that would be December 31, 2021 – and the employer *may* allow mid-year election changes. For off-calendar plan years, the increases allowed by the ARPA will present a challenge for participants since they cannot exceed the pre-ARPA limits of \$5,000 (or \$2,500 for married filing separately) in 2022; the ARPA allowed limits are only for calendar year 2021. The IRS is expected to issue detailed guidance for off-calendar plan year questions.

Please contact your HPI Account Manager if you would like to adopt the higher contribution limits for your DCRA and/or allow mid-year election changes. We will then amend your Plan accordingly and send an Amendment to you for signature.

\* Note: The limit for health FSAs in 2021 is \$2,750 — unchanged from 2020 and unaffected by the ARPA.

Regards,

**Andrew H. A. Meggison**

Director, Regulatory Affairs

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**The information contained in this message is based on our current understanding of recent regulatory developments which may affect group benefit plans. It should not be construed as specific legal advice or legal opinion. The contents are for general informational purposes only and are not a substitute for the advice of legal counsel.**