

107TH CONGRESS
1ST SESSION

H. R. 1590

To amend the Internal Revenue Code of 1986 to allow up to \$500 of health benefits and dependent care assistance in flexible spending accounts and similar arrangements to be carried forward to the succeeding taxable year or to be included in gross income upon termination of such accounts and arrangements.

IN THE HOUSE OF REPRESENTATIVES

APRIL 25, 2001

Mr. RAMSTAD introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow up to \$500 of health benefits and dependent care assistance in flexible spending accounts and similar arrangements to be carried forward to the succeeding taxable year or to be included in gross income upon termination of such accounts and arrangements.

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

1 **SECTION 1. \$500 OF HEALTH BENEFITS AND DEPENDENT**
2 **CARE ASSISTANCE IN FLEXIBLE SPENDING**
3 **ACCOUNTS CARRIED FORWARD TO SUC-**
4 **CEEDING TAXABLE YEAR AND INCLUDED IN**
5 **GROSS INCOME UPON TERMINATION OF AC-**
6 **COUNTS.**

7 (a) **IN GENERAL.**—Section 125 of the Internal Rev-
8 enue Code of 1986 (relating to cafeteria plans) is amended
9 by redesignating subsections (h) and (i) as subsections (i)
10 and (j) and by inserting after subsection (g) the following:

11 “(h) **CARRYFORWARDS OF CERTAIN UNUSED**
12 **HEALTH BENEFITS AND DEPENDENT CARE ASSISTANCE**
13 **TO SUCCEEDING TAXABLE YEAR; INCOME INCLUSION**
14 **UPON TERMINATION.**—

15 “(1) **IN GENERAL.**—For purposes of this title—

16 “(A) a plan or other arrangement shall not
17 fail to be treated as a cafeteria plan or flexible
18 spending or similar arrangement, and

19 “(B) no amount shall be required to be in-
20 cluded in gross income by reason of this section
21 or any other provision of this chapter,

22 solely because under such plan or other arrangement
23 an employee may make the election described in
24 paragraph (3).

25 “(2) **LIMITATION.**—Paragraph (1) shall not
26 apply to more than \$500 of benefits which are un-

1 used as of the close of the taxable year or as of the
2 date of termination of the plan or arrangement.

3 “(3) ELECTION.—

4 “(A) IN GENERAL.—For purposes of para-
5 graph (1), the election described in this para-
6 graph is an election—

7 “(i)(I) to carry forward to the suc-
8 ceeding taxable year health benefits and
9 dependent care assistance (as defined in
10 section 129(e)(1)) which are unused as of
11 the close of a taxable year, or

12 “(II) to include the amount of such
13 unused benefits in gross income for the
14 taxable year,

15 “(ii) upon the termination of the plan
16 or arrangement, to include the amount of
17 such unused benefits in gross income for
18 the taxable year ending within or with the
19 end of the year in which such termination
20 occurs, and

21 “(iii) upon failure to re-enroll in such
22 plan or arrangement, to include the
23 amount of such unused benefits in gross
24 income for the last taxable year of enroll-
25 ment in such plan or arrangement.

1 “(B) WHEN MADE.—The election de-
2 scribed in subparagraph (A) shall be made be-
3 fore the close of the fiscal year of the plan or
4 arrangement.”.

5 (b) CARRYFORWARD SUBJECT TO EXCLUSION LIMI-
6 TATION.—Subparagraph (A) of section 129(a)(2) of such
7 Code (relating to general limitation of exclusion under de-
8 pendent care assistance programs) is amended by insert-
9 ing before the period at the end the following: “, reduced
10 by the amount carried forward to such taxable year under
11 section 125(h)”.

12 (c) EFFECTIVE DATE.—The amendment made by
13 subsection (a) shall apply to taxable years beginning after
14 the date of the enactment of this Act.

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