



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

## MEMORANDUM

To: Reporters and Editors  
Re: Treasury Department announcement on “use it or lose it” rule for flexible spending accounts  
Da: Wednesday, May 18, 2005

Today the U.S. Treasury Department announced it will allow employees to have more time to use the money set aside for health care expenses in their flexible spending accounts. Sen. Chuck Grassley, chairman of the Committee on Finance, has long urged this change. Under current rules, millions of employees sign up for the accounts each year to use pre-tax dollars for medical expenses. However, workers have to use the balance by the year’s end or forfeit the balance to their employers. As a result, people often rush to spend their balance and buy items such as eyeglasses – whether they need them or not – to use up their money. Today the Treasury Department announced workers will have 2.5 months into the next year to use their accounts. Grassley made the following comment on this development.

“This is great news for Americans struggling to keep up with rising health care costs. The so-called ‘use it or lose it’ rule has discouraged millions of Americans from using flexible spending accounts. It’s caused millions more to waste or forfeit precious health care dollars. Workers shouldn’t have to lose money just because they’ve been lucky enough not to have a health crisis. An artificial deadline doesn’t make sense. I appreciate the Treasury Department’s response to my request to take a fresh look at this decades-old rule and put the word ‘flexible’ back into these plans. Americans need every possible tool to meet their families’ health care needs. I’m looking forward to working with President Bush and my fellow senators to make health care more affordable by further improving flexible spending accounts, and by continuing to build on the success of consumer-directed health plans such as health savings accounts.”