



Legislation Text

File #: 21-2750, Version: 1

To: Harris County Commissioners Court

Through: Shain Carrizal, Senior Director of Human Resources & Risk Management

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Subject: American Rescue Plan Act Provisions for Benefit Plan Changes

Project ID (If applicable):

Purpose and Request:

Request by Budget Management for approval of a \$5,000 maximum contribution limit for dependent care flexible spending accounts for plan year 2021-22 and transmittal of a temporary COBRA premium subsidy for eligible individuals and their qualified beneficiaries from April 1, 2021 through September 30, 2021 as allowed under the American Rescue Plan Act.

Background and Discussion:

The American Rescue Plan Act of 2021 (ARPA) increases the maximum contribution limit for dependent care flexible spending accounts from \$5,000 to \$10,500 (for married individuals filing a joint income tax return) for calendar year 2021. Harris County's health and related benefits, including the dependent care flexible spending account, are administered on a non-calendar year basis that coincides with the County's fiscal year. Recent guidance released by the IRS states that the increased \$10,500 contribution limit would not apply to reimbursement of expenses incurred during the 2022 portion of the County's plan year. Since annual elections are made on a plan year basis, it is recommended that this provision not be implemented because of taxable income implications for both the County and participating employees. Provisions from the Consolidated Appropriations Act (CAA) will still be implemented, which permits the rollover of remaining contributions from plan year 2020-21 to pay for qualifying health and dependent care expenses incurred during the 2021-22 plan year and to allow employees to make prospective changes in their flexible spending accounts in 2021-22 to take into account the availability of rollover funds.

Also, ARPA mandates that Harris County provide a 100% COBRA premium subsidy to eligible individuals and their qualified beneficiaries from April 1, 2021 through September 30, 2021 ("Subsidy Period"). An eligible individual is one who has experienced a qualifying event which is either an involuntary termination or a reduction in hours, and who is, or could have been, eligible for COBRA coverage during this Subsidy Period.

Fiscal Impact:

Harris County is entitled to a refundable tax credit against its share of Medicare payroll taxes for the full amount of the COBRA premium subsidy.

Fiscal Summary			
Expenditures	FY 20-21	FY 21-22 Projected	Future Years Projected [3 additional years]
Service Impacted:	N/A	N/A	N/A

Existing Budget	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Additional Appropriation	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Expenditures	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Funding Sources			
Existing Department Budget	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
General Fund	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
All Other Funds		<u>N/A</u>	<u>N/A</u>
Total Sources	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Alternatives:

N/A

Alignment with Strategic Objective:

N/A

Attachments:

N/A