



***Benefits Administration Letter***

**Number:** 08-803

**Date:** December 23, 2008

**Subject: The Federal Flexible Spending Account Program (FSAFEDS):  
Heroes Earnings Assistance and Relief Tax Act (HEART Act)**

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**Background**

Section 114 of the HEART Act (Public Law No. 110-245) allows employers to offer qualified reservists a taxable distribution of their unused health-care flexible spending account balance – also known as a qualified reservist distribution (QRD).

**Purpose**

This BAL notifies agencies that FSAFEDS has adopted Section 114 of the HEART Act, effective January 1, 2009.

**Eligibility for a Qualified Reservist Distribution (QRD)**

Employees enrolled in an FSAFEDS health-care flexible spending account who are members of the Army National Guard, Air National Guard, Army Reserve, Navy Reserve, Marine Corps Reserve, Air Force Reserve, Coast Guard Reserve or Reserve Corps of the Public Health Service and are called to active duty for a period of 180 days or more, or for an indefinite period of time, are eligible to request a QRD.

**Taxable Refund**

A QRD refunds the balance of FSAFEDS allotments in the requestor's health-care FSA as of the date of the request. This return of funds is taxable income in the year in which it is received. Receipt of a QRD closes the FSAFEDS health-care account for that benefit period. Employees receiving a QRD cannot submit additional claims against their health-care FSA for that benefit period.

**Time Limit To Request a QRD**

A valid QRD can be requested during the period beginning with the date of the order or call to active duty and ending on the last day of the grace period for the FSAFEDS benefit period during which the order or call to active duty occurs. QRD requests will not be accepted before January 1, 2009, although the order or call to active duty can date back to June 18, 2008 (and possibly before if the period of active duty continues after June 18, 2008).

**How to Request a QRD**

Employees desiring a QRD should call FSAFEDS toll free at 1-877-372-3337 Monday through Friday from 9 a.m. to 9 p.m., Eastern Time, during the time period permitted for the request. They will be instructed to submit a copy of the order or call to active duty to FSAFEDS.

**Further Details Forthcoming**

Detailed procedures will be posted on [www.FSAFEDS.com](http://www.FSAFEDS.com) along with frequently asked questions about QRDs. Please be sure to visit [www.FSAFEDS.com](http://www.FSAFEDS.com) for periodic updates.

We are proud to be one of the first FSA programs to adopt this relief program for our reservist participants.

Sincerely,

Kathleen M. McGettigan  
Deputy Associate Director  
Center for Retirement and Insurance Services