

New Guidance on \$2,500 Annual Health FSA Contribution Limit for 2013

If you take part in a health care flexible spending account (or plan to beginning in 2013), please read the following message.

Starting Jan. 1, 2013, salary reduction contributions to health flexible spending arrangements (health FSAs) will be limited to \$2,500 per plan year (with future increases to allow for inflation). Health FSAs give employees and their family members a tax-favored account to reimburse qualified health care costs. The health FSA allows individuals to determine how to use their health care dollars to pay for medical expenses. These funds can be used to pay health care provider services, prescription drugs, and dental and vision care.

The [IRS Notice 2012-40](#) provides guidance on the \$2,500 limit. The notice applies to all employers that sponsor health FSAs and will impact all employees that take part in these accounts. The notice provides that:

The \$2,500 limit is applicable to all plan years beginning on or after January 1, 2013;
Plan amendments that show the \$2,500 limit may be updated anytime through December 31, 2014;
Unused salary reduction contributions to the health FSA that are carried over into the grace period will not count against the \$2,500 limit for the next plan year.

The notice states that the \$2,500 limit only applies to salary reduction contributions of a health FSA and not to contributions to other types of FSAs (such as a dependent care FSA), health savings accounts (HSAs), or health reimbursement arrangements (HRAs). The \$2,500 limit does not apply to non-elective employer contributions (sometimes called flex credits). It will also not apply to other salary reduction contributions that are used to pay an employee's share of their health care coverage premiums.

If you participate in a health FSA and have questions about how this notice affects your plan, please call your employer.