



FSA Rules Changing

Insights

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Beginning in 2013, employee pre-tax contributions to a flexible spending account (FSA) will be limited to \$2,500. In the past, companies could impose their own limits on these employee contributions. Here's what you need to know:

The limit applies based on your cafeteria plan's plan year. It is first applicable to plan years beginning in 2013. For the majority of companies, this means it becomes effective January 1, 2013, and the open enrollment materials for 2013 have to be changed to incorporate the limit.

If a cafeteria plan utilizes the 2 ½ month grace period that allows for a carryover of amounts credited to the FSA in one year but not used in that year, these carryover amounts do not reduce the \$2,500 limit.

Any company contributions made to the cafeteria plan – so called "flex credits" - are not subject to any limit and don't count toward the \$2,500.

The \$2,500 is indexed for inflation, like so many other limits on benefits.

The cafeteria plan has to be amended no later than December 31, 2014 to reflect the new limit.

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