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IRS Increases Health FSA Limit for 2019

By Sheila Ninneman, JD

As cafeteria plan sponsors know, the Affordable Care Act established the maximum limit on contributions to a health flexible spending account (Health FSA) at \$2,500, as indexed for inflation. On November 15, 2018, the Internal Revenue Service (IRS) announced an increase to this limit. In Revenue Procedure 2018-57, the IRS set the Health FSA contributions limit at \$2,700 for taxable years beginning in 2019.

Plan sponsors will need to review their cafeteria plan documents to see if an amendment is necessary to

implement this new limit. While some plan documents provide for an automatic increase of the plan limit in accordance with the IRS limit, other plans are “hardwired” with a flat dollar amount that is not indexed or tied to IRS guidance regarding the Health FSA limit. In addition, employers will need to review all relevant participant communications, and make any necessary updates.

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