

# Legislative Brief

## HCR - FLEXIBLE SPENDING ACCOUNT LIMIT

October 2016

### 2017 IRS HEALTH FLEXIBLE SPENDING ACCOUNT LIMIT IS \$2,600

#### SUMMARY:

- The IRS 2017 Maximum Health Flexible Spending Account Salary Reduction Contribution amount is \$2,600.
- The IRS recently published this limit and other benefit limits in Revenue Procedure 2016-55, which will take effect on January 1, 2017.
- Employers who sponsor cafeteria plans that offer health flexible spending accounts may set the salary reduction amount up to \$2,600, which is increased by \$50, from the 2016. limit of \$2,550.

#### Background

The Affordable Care Act (ACA) created a maximum limit on the salary reduction contributions that employees could contribute to their Health Flexible Spending Accounts, beginning in 2013. The ACA also mandated a cost of living adjustment in relation to the consumer price index. Prior to the enactment of the ACA, employers were able to determine the salary reduction contribution limit.

#### 2017 IRS Health Flexible Spending Account Salary Reduction Contribution Amount

The IRS recently released the 2017 Health Flexible Spending Account Salary Reduction Contribution Amount in Revenue Procedure 2016-55. Effective January 1, 2017 the maximum contribution is \$2,600. This is an additional \$50 compared to the 2016 limit of \$2,550. The chart below shows the limits from 2014 to 2017. Employers who sponsor a cafeteria plan with a health flexible spending account can set their own salary reduction limit, provided the amount does not exceed the 2017 maximum. Also note that the Dependent Care Flexible Spending Account maximum remains unchanged for 2017.

#### CAFETERIA PLAN LIMITS

| FLEXIBLE SPENDING ACCOUNTS       | 2017    | 2016    | 2015    | 2014    |
|----------------------------------|---------|---------|---------|---------|
| Health Flexible Spending Account | \$2,600 | \$2,550 | \$2,550 | \$2,500 |
| Dependent Care Spending Account  | \$5,000 | \$5,000 | \$5,000 | \$5,000 |

For more details on implementing and administering health flexible spending accounts, please contact your Client Executive.

Health Care Reform —the Affordable Care Act (ACA)—has many complex requirements for employers and health plans. Please contact Kapnick Insurance Group with any questions about how you can prepare for any of the health care reform requirements. This Kapnick Insurance Group Update is not intended to be exhaustive nor should any discussion or opinions be construed as legal or tax advice. The information contained in this communication is intended to provide general information regarding health care reform and related topics, and is based on general information available at the time it was prepared. Readers should contact their tax and/or legal counsel for advice that is appropriate to their specific circumstances. This information cannot be used by any taxpayer to avoid tax penalties.

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