



**October 27, 2016**

**Compliance Alert:  
Internal Revenue Service Increases Health Care FSA Annual Contribution Limit**

Historically, there was no annual limit on the amount of Health Care Flexible Spending Arrangement (Health Care FSA) salary reduction contributions. The Affordable Care Act changed this rule.

For plan years beginning after December 31, 2012, Health Care FSA salary reduction contributions could not exceed \$2,500. This limit was to be indexed for inflation.

The annual limit remained at \$2,500 for 2014, and was increased by the Internal Revenue Service (IRS) to \$2,550 for 2015 and 2016. For plan years beginning on or after January 1, 2017, the IRS just announced that the annual Health Care FSA salary reduction contribution limit will be \$2,600.

Employers that wish to allow the maximum Health Care FSA salary reduction contribution should amend their plans and update elections forms to reflect the increase before the start of the 2017 plan year. If Significa provides administrative services for your Health Care FSA, please contact Client Services if you would like to adopt the new \$2,600 limit.