Benefit Advantage

2012 FSA Participation / 2013 $2500 Limitation

As employees make their individual and personal decisions whether to participate in a Flexible Spending Plan, we need to make certain that they "consider" the implication of the **2013 $2500 cap on Flexible Spending Accounts.**

As a reminder, as a result of Health Care Tax Reform legislation, Flexible Spending Accounts will be limited to a maximum of $2500 as of 1/1/2013.

Some important factors regarding this change are:

1. Limit applies to the tax (calendar) year and not the plan year. This is particularly important if your health-based FSA plan does not operate on a calendar year basis (odd plan). You and your participants will need to track pre-tax contributions across the tax years just as you may currently do with Dependent Care Accounts.

2. The limit applies only to the employee pre-tax contribution amount. If your Plan offers an employer contribution, annual reimbursement amounts may exceed the $2,500 limit but only by the amount of the employer contribution. For example, the employee contributes $2,500 and the employer contributes $250. The employee is allowed to have a goal/reimbursement amount of $2,750 for the tax year because of the employer contribution amount.

3. The limit is per participant and not per household. Therefore, if a husband and wife both participate in their respective employer's FSA plans, they may have a combined household pre-tax contribution of $5,000 for the taxable year but neither may contribute more than the $2,500 per person pre-tax limit (e.g. one cannot contribute $2,000 and the other contribute $3,000).

Why is this important now?

If employees can look forward to those elective procedures that they might be planning for (i.e. braces, Lasik, etc.), planning those activities with the use of FSA dollars in 2012 might be helpful.