

IRS Issues 2017 Health FSA and Transit Limits

October 27, 2016

On October 26, 2016, the IRS issued [Revenue Procedure 2016-55](#), which provides new 2017 contribution limits for Health Flexible Spending Arrangements (Health FSAs), commuter and transit expenses and other benefits. The IRS adjusts these limits on the basis of cost-of-living adjustments and inflation.

What Has Changed?

Health FSAs

For 2017, the maximum employee salary reduction for contributions to Health FSAs will increase by \$50 from the 2016 calendar year. The new 2017 contribution maximum will be set at \$2,600.

As background, the ACA included a cost-of-living adjustment provision that has increased this contribution limit by \$50 increments over time (it was initially set at \$2,500 in 2013).

It should be noted that the \$2,600 limit applies only to employee salary

reduction contributions, and does not apply to employer contributions. Employer contributions cannot exceed \$500 per plan year for the FSA to remain an excepted benefit under the ACA and still qualify for the special COBRA exception. Additionally, any amount of a carryover, up to a maximum of \$500 per plan year, is not included in the \$2,600 maximum.

Commuter and Transit Passes

For 2017, there was no change from the 2016 calendar year in the monthly commuter and transit maximum.

Specifically, the monthly maximum for the aggregate fringe benefit exclusion for commuter vehicle parking and transit passes will remain at \$255.

What Should Employers Do Next?

Employers should review their plan documents, SPDs and other benefits and employment-related policies to ensure that their contribution limits are consistent with the limits announced in

SYNOPSIS

The maximum employee salary reduction for 2017 Health FSA contributions increases by \$50; the annual contribution maximum is \$2,600.

The 2017 commuter and transit maximum is the same as 2016: \$255 per month.

the new Revenue Procedure. Please contact your Corporate Synergies account manager if your plan materials need to be updated.

If you have any additional questions, please call your Corporate Synergies Account Manager or 866.CSG.1719.

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