

COMPLIANCE ALERT

IRS Releases Updated FSA and other Plan Limits for 2026

October 17, 2025

Action Required:

- Employers should ensure that their plans do not allow employees to make pre-tax contributions in excess of the 2026 plan limits.
- Employers should also communicate the 2026 limits for these and other benefit plans to their employees during open enrollment.

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On October 9, 2025, the IRS issued [Revenue Procedure 2025-32](#), which announces new inflation adjustments for health FSAs, commuter benefits and other benefit plans.

Health FSA Limit Increases:

For 2026, employees can contribute up to a maximum of \$3,400, an increase of \$100 from the 2025 limit of \$3,300, to healthcare flexible spending accounts (health FSAs) on a pre-tax basis through their cafeteria plan. The same new limits for 2026 will also apply to limited-purpose FSAs (for example, limited-purpose dental and vision FSAs), which can be stacked with health savings accounts (HSAs). Additionally, if the cafeteria plan permits the carryover of unused amounts, the maximum carryover (into 2027) will be \$680 for the 2026 calendar year, up from the 2025 carryover maximum of \$660.

Commuter Benefit Increase:

The maximum monthly exclusion amount for transportation in a commuter highway vehicle, vanpooling, any transit pass, and qualified parking will be increasing for 2026 to \$340 per month (\$4,080 per year), up from \$325 per month in 2025.

Adoption Assistance Increase:

The maximum annual exclusion from an employee's gross income for an adoption assistance program will go up to \$17,670 in 2026 (up from \$17,280 in 2025).

QSEHRA Limit Increase:

Small employers offering qualified small employer health reimbursement arrangements (QSEHRAs) will also see an increase in limits. For 2026, QSEHRAs must limit the total amount of payments and reimbursements to \$6,450 for self-only coverage and \$13,100 for family coverage.

DCAP Limit Increases:

While not part of this recent IRS update, the [One Big Beautiful Bill Act](#) increased the household limit for dependent care flexible spending accounts (DCAPs) for the first time since 1986. The new limit for DCAPs in 2026 will be \$7,500 per household, increased from the previous maximum of \$5,000 per household.

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Additionally, the limit for married individuals who file separately will increase from \$2,500 to \$3,750; however, going forward, these adjustments will not be indexed annually for inflation.

What Should Employers and Plan Sponsors Do Next?

Employers and plan sponsors should ensure that their plans do not allow employees to make pre-tax contributions in excess of these amounts for 2026, and they should communicate the 2026 limits for these and the other benefit plans to their employees as part of the open enrollment process. ■

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