

---

# ***THE GROUP BENEFIT NEWS BULLETIN***

---

## **IRS Announces Increase in Health FSA Limit For 2015**

Last Thursday, October 30<sup>th</sup>, the IRS announced that the limit for Health Flexible Savings Accounts would increase by \$50 to a total of \$2,550 beginning January 1, 2015. This is an inflationary adjustment. This comes a year after the IRS allowed the carryover provision to Health FSA's. For your convenience, the announcement from last year on the carryover provision is below.

### **Background, November 1<sup>st</sup>, 2013:**

## **U.S. Treasury Department Modifies Health FSAs To Allow Rollover**

The Treasury Department along with the IRS released Notice 2013-71 late yesterday that modifies Health FSAs to allow up to \$500 of unused funds to rollover from one plan year to the next. Per the press release issued by the Treasury Department, Secretary Lew stated "Across the administration, we are always looking for ways to provide added flexibility and commonsense solutions to how people pay for their healthcare...Today's announcement is a step forward for hardworking Americans who wisely plan for health care expenses for the coming year."

### **How It Works:**

At the employers option, the modification allows Section 125 cafeteria plans to be amended in order to allow up to \$500 of unused funds at the end of a plan year to be used during the next plan year, provided that the plan does not also incorporate the grace period rule.

A grace period, defined by the notice, is a period of up to two months and 15 days immediately following the end of a plan year during which a participant may use amounts remaining from the previous plan year to pay expenses incurred for certain qualified benefits during that two-month-and-15-day period.

If a Section 125 plan wishes to incorporate the rollover provision, then a plan amendment must be adopted on or before the last day of the plan year from which funds may be rolled over. In addition, the plan must also be amended to eliminate the grace period provision by no later than the end of the plan year from which funds may be rolled over.

The rollover does not affect the maximum amount of salary reduction contributions that the participant is permitted to make.

The effective date is for the current and future FSA plan years.

As always, TBPG will continue to monitor all updates and keep you informed of any pertinent information. If you have any questions, please contact your TBPG representative.

The Benefit Planning Group  
*Our Knowledge is the Difference*  
770-916-1717

As always, this material is intended for informational purposes only and is not to serve as instruction or legal counsel.