IRS Announces 2019 FSA Contribution Limits

The IRS issued an increased limit for employee contributions toward health Flexible Spending Accounts (FSAs). Employers currently offering health FSAs may choose to increase the annual election limit for participants for the 2019 plan year. The 2019 annual health FSA limitation is $2,700 (increased from $2,650 in 2018).

Employee Health FSA Contributions

The $2,700 annual limit applies only to the amount deducted pre-tax from an employee’s compensation through a cafeteria plan. In certain circumstances, an employee may have a health FSA benefit greater than $2,700. Examples include:

- If an employer makes contributions to the employee’s health FSA accounts (see details below); or
- If the health FSA includes the optional $500 carry-over provision and the employee has a carry-over from the previous year.

Employer Health FSA Contributions

Employer contributions are not limited under these rules and may be made in addition to the $2,700. However, a health FSA must meet “excepted benefit” status. To meet excepted benefit status, the health FSA must satisfy the following two conditions:

- **Maximum Benefit Condition.** The maximum benefit payable under the health FSA to any participant cannot exceed two times the participant’s salary reduction election, or, if greater, the amount of the participant’s salary reduction election plus $500 (an employer may either make a matching contribution or limit the contribution to $500).

- **Availability Condition.** Other non-excepted coverage, e.g., major medical coverage, must be made available for the year to those eligible to participate in the health FSA. Individuals must be eligible for both a group medical plan and a health FSA, but do not have to be enrolled in both.