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News You Can Use

From the desk of
Joe Rossmann, Insurance Trust CEO

Flexible Spending Account Plan Amendment

The federal health care reform bill PPACA imposes a \$2,500 limit on annual salary reduction contributions to health Flexible Spending Accounts (FSAs) offered under cafeteria plans, for plan years beginning on or after January 1, 2013. This is a reduction from the current limit of \$5,000.

If your plan's current maximum FSA election is \$2,500 or less it is not necessary to make any changes.

If your plan's current maximum election amount exceeds the \$2,500 limit, the plan document must be amended by the start of the plan year to state the new Health FSA election amount. Failure to include the limit in the plan document would cause the entire Health FSA to fail to qualify as a permissible cafeteria plan, potentially resulting in the cafeteria plan's loss of its qualified status and taxation of all benefits.

The \$2,500 amount is indexed for cost-of-living adjustments for plan years beginning after December 31, 2013. The health care reform law's provisions regarding grandfathered plans do not apply to this requirement, so all health FSAs offered under cafeteria plans must comply with this new maximum amount.

The \$2,500 limit applies to Health FSA salary reduction contributions. Non-elective employer contributions to a Health FSA (e.g., matching or seed contributions) generally do not count toward the limit. However, if employees may elect to receive the employer contributions in cash or as a taxable benefit, then the contributions will be treated as salary reductions and will count toward the limit if contributed to the FSA.

Amending your plan is easy. Below is a sample of the information required in establishing an amendment for your plan documents. Please call if you need additional assistance.

AMENDMENT

To the

_____ **Flexible Benefit Plan**

(Company Name)

The _____ Flexible Benefit Plan (the "Plan") is amended in the following respect:
(Company Name)

Effective _____, the FSA maximum annual contribution per participant shall be \$ _____, as described in Section ____ of the plan document.

Signature: _____

Name: _____

Title: _____

Date: _____

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