



Compliance Alert

2019 Health FSA Limit Increased to \$2,700

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Today the IRS confirmed in [Revenue Procedure 2018-57](#) that **for plan years beginning on or after January 1, 2019, the health FSA salary reduction contribution limit will increase to \$2,700.**

This represents a \$50 increase from the current \$2,650 salary reduction contribution limit. It is consistent with [our projection from mid-September](#).

The IRS confirmation today comes significantly later than last year's October 19 announcement.

As a reminder, employer contributions (including non-cashable flex credits) generally cannot exceed \$500 per plan year for the health FSA to maintain excepted benefit status. Non-excepted health FSAs generally cannot comply with the ACA market reform mandates. Therefore, in almost all cases the maximum health FSA amount available for plan years beginning on or after January 1, 2019 will be limited to \$2,700 (max employee salary contribution) + \$500 (max employer contribution, if offered) = \$3,200 (combined).

Also remember that the health FSA eligibility cannot be broader than the major medical plan eligibility to maintain excepted benefit status (as required by the ACA). In other words, the health FSA should never be available to an employee who is not also eligible for (regardless of enrollment status) the major medical plan.

Other 2019 Limits

- **Commuter Benefits:** The transit pass/vanpooling and parking limits will increase to \$265 per month (up from \$260).
- **Adoption Assistance:** The adoption assistance plan limit will be \$14,080 (up from \$13,810).
- **401(k) Plan:** The annual employee elective deferral limit increases from \$18,500 to \$19,000. See [IRS Notice 2018-83](#) for more details.
- **HSA Limits:** The IRS released the 2019 HSA limits back in May. The individual contribution limit will be \$3,500 (up from \$3,450) and the family contribution limit will be \$7,000 (up from \$6,900). See our [full alert for more details](#).
- **ACA Pay or Play Affordability:** The 2019 affordability safe harbor percentage makes a significant increase from 9.56% to 9.86%. This sets the federal poverty line affordability

safe harbor at a \$99.75 maximum monthly employee-share of the premium for the lowest-cost plan option at the employee-only tier. See our [full alert for more details](#).

- **ACA Pay or Play Penalties:** The 2018 annualized employer mandate pay or play penalties are currently \$2,320 (the Section 4980H(a) “A Penalty”) and \$3,480 (the Section 4980H(b) “B Penalty”) annualized. The IRS has not announced updated 2019 penalty amounts, but projections are for the annualized A Penalty to increase to \$2,500 and the annualized B Penalty to increase to \$3,750.
- **California SDI:** It is anticipated that the 2019 taxable wage base will be \$118,371 (at a 1.0% contribution rate), the employee contribution cap will be \$1,183.71, and the maximum weekly benefit will be \$1,252.

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