

Eye On Washington

Regulatory Update



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IRS Announces 2019 Benefits Plan Contribution Limits

On November 15, 2018, the Internal Revenue Service (IRS) announced via Revenue Procedure 2018-57 the dollar limitation for 2019 on employee salary reductions for contributions to health flexible spending accounts; the monthly limitation regarding the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass; and the maximum amount that can be excluded from an employee's gross income for the amounts paid for qualified adoption expenses furnished pursuant to an adoption assistance program.

Health Flexible Spending Accounts

The 2019 maximum employee salary reduction contribution to a health flexible spending account will increase to \$2,700. This is a \$50 increase from the 2018 limit of \$2,650. The Affordable Care Act (ACA) had limited employee salary reductions for contributions to health flexible spending accounts to \$2,500 per employee, but allowed that the limit may be adjusted annually for inflation in increments of \$50.

The \$2,700 limit applies to both full-purpose and limited-purpose health flexible spending accounts. However, an employer is not required to adopt the maximum amount allowed in its plan design and may choose to allow an amount less than \$2,700. The \$2,700 limit applies only to employee salary reduction contributions during the benefit plan year and does not impact employer-paid contributions or, if offered, contributions made as a result of the balance carryover option. If an employer provides flex credits that employees may elect to receive either as cash or as a taxable benefit, those flex credits are treated as employee salary reduction contributions and count toward the \$2,700 limit.

The dependent care spending account maximum is set by statute and is not subject to inflation-related adjustments. Consequently, the 2019 dependent care spending account maximum continues to be limited to the smallest of the following amounts:

- \$5,000 if the employee is married and filing a joint return or if the employee is a single parent (\$2,500 if the employee is married but filing separately);
- the employee's "earned income" for the year; or
- the spouse's "earned income," if the employee is married at the end of the taxable year.

Qualified Transportation/Parking Benefits

Transportation

The monthly limitation regarding the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass is increased to \$265 for 2019. This is a \$5 increase over the 2018 limit of \$260.

Parking

The monthly limitation regarding the fringe benefit exclusion amount for qualified parking is increased to \$265 for 2019. This is a \$5 increase over the 2018 limit of \$260.

Adoption Assistance Programs

The maximum amount that can be excluded from an employee's gross income for the amounts paid or expenses incurred by an employer for qualified adoption expenses furnished pursuant to an adoption assistance program for other adoptions by the employee in 2019 is \$14,080. This is an increase of \$270 over the 2018 maximum.

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Summary of Changes to Contribution Limits

	2018	2019
Health Flexible Spending Accounts	\$2,650/plan year	\$2,700/plan year
Qualified Transportation Parking Benefits	\$260/month \$260/month	\$265/month \$265/month
Adoption Assistance Programs	\$13,810/year	\$14,080/year

For a copy of Revenue Procedure 2018-57, please click on the link provided below.

<https://www.irs.gov/pub/irs-drop/rp-18-57.pdf>

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