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LEGISLATIVE UPDATE

Eye on Washington



IRS ANNOUNCES 2015 CONTRIBUTION LIMITS

On October 30, 2014, the Internal Revenue Service (IRS) announced via Revenue Procedure 2014-61 the dollar limitation 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 maximum employee salary reduction contribution to a health flexible spending account will be increased to \$2,550 from the 2014 level of \$2,500. 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 increase 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 \$2,550. The \$2,550 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 \$2,550 limit.

The dependent care spending account maximum is set by statute and is not subject to inflation-related adjustments. Consequently, the 2015 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 \$130. There is no increase from the 2014 limit.

Parking

The monthly limitation regarding the fringe benefit exclusion amount for qualified parking is \$250. There is no increase from the 2014 limit.



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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 2015 is \$13,400. This is an increase of \$210 over the 2014 maximum.

Summary of Changes to 2015 Contribution Limits

	2014	2015
Health Flexible Spending Accounts	\$2,500/year	\$2,550/year
Qualified Transportation Parking Benefits	\$130/month \$250/month	\$130/month \$250/month
Adoption Assistance Programs	\$13,190/year	\$13,400/year

For a copy of Revenue Procedure 2014-61 please click on the link provided below.

<http://www.irs.gov/pub/irs-drop/rp-14-61.pdf>

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