

LEGAL UPDATE



Health FSA Limit Increases for 2024

On Nov. 9, 2023, the IRS released [Revenue Procedure 2023-34](#) (Rev. Proc. 23-34), which includes the inflation-adjusted limit for 2024 on employee salary reduction contributions to health flexible spending accounts (FSAs). For plan years beginning in 2024, the adjusted dollar limit on employees' pre-tax contributions to health FSAs increases to **\$3,200**. This is a \$150 increase from the 2023 health FSA limit of \$3,050.

The Affordable Care Act (ACA) imposes a dollar limit on employees' salary reduction contributions to health FSAs. This limit started as \$2,500 for plan years beginning on or after Jan. 1, 2013, and has been adjusted for inflation for subsequent plan years. Employers should ensure that their health FSAs will not allow employees to make pre-tax contributions over \$3,200 for the 2024 plan year. Employers can impose a lower limit on employees' pre-tax contributions to a health FSA.

Employers should confirm that their health FSA contribution limit is included in the plan's documents and communicated to employees at enrollment time.

HIGHLIGHTS

- The health FSA dollar limit increases to \$3,200 for plan years beginning in 2024.
- Employers may impose their own dollar limit on employee salary reduction contributions to health FSAs, up to the ACA's maximum.
- Employers should communicate their 2024 limit to employees as part of the open enrollment process.
- The limit on health FSA carryovers increases to \$640 for plan years beginning in 2024.

Pre-tax Contributions

The ACA's dollar limit applies only to employees' pre-tax contributions to a health FSA. Nonelective employer contributions to a health FSA (for example, matching contributions or flex credits) generally do not count toward the health FSA contribution limit. However, if employees may elect to receive the employer contributions in cash or as a taxable benefit, then the contributions must be treated as salary reductions and counted toward the health FSA contribution limit.

Per Employee Limit

The health FSA limit applies on an employee-by-employee basis. Each employee may only elect up to \$3,200 in salary reductions in 2024, regardless of whether they have family members who benefit from the funds in that FSA. However, each family member eligible to participate in their own health FSA has a separate limit. For example, a married couple who have their own health FSAs can both make salary reductions of up to \$3,200 for 2024, subject to any lower employer limits.

Health FSA Carryovers

As an exception to the use-or-lose rule, employers with health FSAs may allow employees to carry over a certain amount of funds remaining at the end of a plan year to reimburse eligible expenses incurred in the plan year immediately following. The maximum carryover amount is adjusted annually for inflation. For 2024, Rev. Proc. 23-34 increases the maximum carryover limit to \$640 (from \$610 for 2023). Employers that allow carryovers may impose their own limit that is lower than the maximum carryover limit.