

FSA Contribution Limit Unlikely to Change for 2016

The annual limit on health FSA contributions is subject to indexing each year based on CPI-U. Although all data is not yet available, based on current information, we are projecting that the limit will remain at \$2,550 for 2016.

Background

The Affordable Care Act amended the Internal Revenue Code to impose an annual limit on salary reduction contributions to health flexible spending accounts (FSA). For tax years beginning after December 31, 2012, the limit was \$2,500. Beginning in 2014, the limit is subject to indexing based on the increase in Consumer Price Index for All Urban Consumers (CPI-U) each year. The 2015 limit was \$2,550, up \$50 from 2014. (See our [November 6, 2014 For Your Information.](#))

2016 Limit Likely to Remain \$2,550

The 2016 indexing will be based on CPI-U through August 2015. Although the August CPI-U is not yet available, based on CPI-U through July, we are projecting that the health FSA limit will remain at \$2,550 for 2016. While a rise in CPI-U in August could increase the health FSA limit to \$2,600, that is very unlikely. The IRS is not expected to formally release the 2016 FSA limit until late October.



Authors

Kimberley Mitchell, JD
Rich Stover, FSA, MAAA

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