



## SITZMANN ▪ MORRIS ▪ LAVIS

Employee Benefits | Life Insurance | Risk Management

**TO: Clients of Sitzmann Morris & Lavis Insurance Agency**

**RE: Health FSA Rollovers and 2014 Sec. 132 Limits**

The U.S. Treasury announced on October 31<sup>st</sup> an exciting change to the “use-it-or-lose-it” rule under Sec. 125 health flexible spending accounts (FSAs). See [IRS Notice 2013-71](#) for complete details.

### Key Provisions:

- Effective immediately, employers who offer an FSA that does not include a grace period will have the option of allowing employees to rollover up to \$500 at the end of the current 2013 Plan year.
- Effective for plan years beginning on or after 1/1/14 employers have the option of allowing a rollover of up to \$500 at the end of the Plan year.
- The rollover option is an alternative to the grace period. An employer can have one or the other, but not both.
- The rollover amount is not included towards the maximum amount of salary reductions allowed for the year. For example, if the employer adopts the \$2,500 max, and the employee elected \$2,500 in 2013 and rolls over \$400, the employee can still elect up to \$2,500 in 2014.

### Action Item:

An amendment must be adopted before the last day of the Plan year from which amounts may be rolled over and may be effective retroactively to the first day of that Plan year. There is transition relief for 2013 plans allowing the amendment to be made at any time on or before the last day of the plan year that begins in 2014. For example, a calendar year Sec. 125 plan must be amended by 12/31/14 to allow monies from 2013 to rollover.

## **2014 Limits**

Treasury also released Revenue Procedure 2013-35 in which they announced the 2014 parking, transit and health FSA limits.

As you may recall, the American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013. In that law, parity for transit and parking was extended until December 31, 2013. While we wait and see about parity for 2014, Treasury has set the 2014 limits as follows:

Transit - \$130 month

Parking - \$250 month

Until we hear otherwise, Sec. 132 Plan sponsors should use these amounts for their 2014 enrollment.

The health FSA limit remains unchanged at \$2,500.

### What's Next:

We will provide you with more detail as it becomes available. As always, contact your SML Account team if you have any questions.

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