

# HR QUESTION ? of the month



## ***Do employer contributions count towards a health FSA's dollar limit?***

**Question:** Our company sponsors a health flexible spending account (health FSA) that has always been funded only by employee salary reductions. For next year, our company is thinking about adding an employer contribution feature to the health FSA (e.g., matching contribution). In this case, would the employer contributions count toward the dollar limit for health FSAs?

**Answer:** Employer contributions do not count toward the dollar limit for health FSAs since the limit applies only to health FSA salary reduction contributions. See Section 125(i) of the Internal Revenue Code of 1986 (Code) at <https://www.law.cornell.edu/uscode/text/26/125>. In the event that employees may elect to receive the employer contributions in cash or as a taxable benefit, then the contributions will be treated as salary reductions and will count toward the limit if contributed to the health FSA. Also, to avoid a potential violation of the Code's nondiscrimination rules, the employer contribution amount should not vary among employees (e.g., set a certain employer contribution percentage rate which does not vary among employees). Finally, the Code's limit for health FSA salary reduction contributions is \$2,550 for plan years beginning on or after 2015.

© 2014 Advisors Law Group, All Rights Reserved

To learn more about the [Federated Employment Practices Network®](#), contact your local [Federated Marketing Representative](#), or visit [www.federatedinsurance.com](http://www.federatedinsurance.com).