

Health FSA Limit Increases for 2025

On Oct. 22, 2024, the IRS announced the inflation-adjusted limit for 2025 on employee salary reduction contributions to health flexible spending accounts (FSAs). For plan years beginning in 2025, the adjusted dollar limit on employees' pre-tax contributions to health FSAs increases to **\$3,300**. This is a \$100 increase from the 2024 health FSA limit of \$3,200.

■ Health FSA Contribution Limit

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.

■ 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 plan years beginning in 2025, the maximum carryover limit increases to \$660 (from \$640 for 2024). Employers that allow carryovers may impose their own limit that is lower than the maximum carryover limit.

■ Action Steps

Employers should ensure that their health FSAs will not allow employees to make pre-tax contributions over \$3,300 for the 2025 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 as part of the open enrollment process. In addition, employers that allow health FSA carryovers should confirm that the carryover limit does not exceed \$660 for the plan year beginning in 2025.