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Fiscal Cliff Legislation

Over the last few days, both the Senate and the House passed the so-called “fiscal cliff” legislation, and the President intends to sign the legislation. The legislation does make a few changes regarding health and welfare benefits as follows:

1. Makes permanent the higher deduction limits for dependent care FSAs for employees with disabled and full-time student spouses. This means that there will be no change on this issue from 2012.
2. Extends mass transit parity through the end of 2013. As you may recall, mass transit parity expired at the end of 2011. For 2013, this means that the mass transit limit will be $240 per month, subject to inflation adjustments by the IRS. The $240 monthly limit may still be increased by the IRS for 2013. The IRS has not yet issued its normal inflation adjustments for the 2013 calendar year, as the IRS has been waiting on the outcome of the fiscal cliff legislation. We expect the IRS to issue any inflation adjustments in the coming weeks. In addition, the legislation also extends mass transit parity for 2012 as well. It's unclear how the extension for 2012 could be retroactively administered, and further guidance by the IRS on this issue is expected.