

Publications

Recent IRS Guidance on FSA/HSA/HRA Accounts

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The Internal Revenue Service (IRS) recently issued guidance that impacts Flexible Spending Arrangements (FSAs), Health Savings Accounts (HSAs), and Health Reimbursement Arrangements (HRAs) as follows:

Notice 2005-42 (May 18, 2005): provides cafeteria plans with the ability to extend the plan year for a FSA for an additional 2-1/2 months.

Rev. Rul. 2005-25 (April 13, 2005): clarifies that coverage of a spouse plus dependents under a non-high deductible health plan does not disqualify an individual who is enrolled in a high deductible health plan from HSA participation.

Rev. Rul. 2005-24 (April 5, 2005): clarifies that it is acceptable for an employer to base the level of its HRA contributions for retiring employees on the value of unused sick/vacation leave, and also reinforces the IRS position that HRA funds may never be converted to use for a non-medical purpose without adverse tax consequences.

A brief background of FSAs, HSAs and HRAs and further discussion of this guidance follows.

[Recent IRS 132KBDownload](#)