ApexBenefits

BENEFITS BUZZ

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IRS Releases Health FSA and Qualified Transportation Limits for 2026

On Oct. 9, 2025, the IRS released Revenue Procedure 2025-32 (Rev. Proc. 25-32), which includes 2026's inflation-adjusted limits for health flexible spending accounts (FSAs). For plan years beginning in 2026, the adjusted dollar limit on employees' pre-tax contributions to health FSAs increases to **$3,400**. This is a $100 increase from the 2025 limit of $3,300.

As background, the Affordable Care Act (ACA) imposes a dollar limit on employees' salary reduction contributions to health FSAs. This limit started at $2,500 for plan years beginning on or after Jan. 1, 2013, and has been adjusted for inflation for subsequent plan years. Employers should ensure their health FSAs will not allow employees to make pre-tax contributions over $3,400 for the 2026 plan year.

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 2026, Rev. Proc. 25-32 increases the maximum carryover limit to **$680** (from $660 for 2025).

In addition, Rev. Proc. 25-32 includes cost-of-living adjustments for qualified transportation fringe benefits for 2026. Federal tax law allows employers to offer qualified transportation benefit programs to their employees on a tax-free basis, subject to a maximum monthly amount. Both employee pre-tax salary deferrals and employer-paid benefits, if any, count toward the maximum amount.

For 2026, the combined monthly limit for transportation in a commuter highway vehicle and a transit pass increases to **$340**, up from $325 in 2025. The monthly limit in 2026 for qualified parking also increases to **$340** from $325.

Deadline for Updating HIPAA Privacy Notices Is Approaching

The HIPAA Privacy Rule generally requires covered entities (health plans, health care providers and health care clearinghouses) to provide individuals with a Notice of Privacy Practices (or Privacy Notice) to ensure they understand how their protected health information (PHI) may be used and disclosed, as well as their rights with respect to PHI.

A final rule issued by the U.S. Department of Health and Human Services (HHS) in April 2024 requires covered entities to update their Privacy Notices if they receive or maintain patient records regarding substance use disorder (SUD) treatment provided by a federally assisted treatment program (i.e., a "Part 2 program"). The deadline for updating Privacy Notices for the additional privacy protections for Part 2 program records is **Feb. 16, 2026**.

Self-insured health plans must maintain and provide their own Privacy Notice at enrollment time, when there is a material change and upon request. Fully insured health plans that do not have access to PHI (other than enrollment and summary health information) are not required to maintain or provide a Privacy Notice. Fully insured health plans with access to PHI must maintain a Privacy Notice and provide it upon request.

Employers that maintain Privacy Notices for their health plans should update them with the changes to SUD treatment records by Feb. 16, 2026. Employers with self-insured health plans should also distribute their updated Privacy Notices by this deadline. It is uncertain if HHS will update its model privacy notices to incorporate the new requirements before the compliance deadline.

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