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Fiscal Cliff Bill Affects Various Employee Benefit Provisions

Last week, Congress passed the American Taxpayer Relief Act of 2012 (also known as the “Fiscal Cliff Bill”), which includes provisions affecting employee benefits.

Roth Conversions. Before the new law, a 401(k) plan that allowed Roth contributions could allow participants to make Roth conversions only if participants were otherwise eligible to receive a distribution under the Internal Revenue Code. For example, a 401(k) plan could allow a participant who had attained age 59½ to make a Roth conversion of his or her elective deferrals. For a more in-depth discussion of Roth conversions, see September 30, 2010 [theHRBenefitsAuthority, Small Business Jobs Act of 2010 – New Roth Conversions within 401\(k\) Plans](#).

Effective January 1, 2013, 401(k) plans that allow Roth contributions can allow participants to make Roth conversions even if they are not otherwise eligible to receive a distribution under the Internal Revenue Code. For example, a plan can allow Roth conversions of elective deferrals even for participants who have not yet attained age 59½.

Health and Welfare Benefits. The Fiscal Cliff Bill also permanently extends certain health and welfare benefit provisions. These include:

- **Educational Assistance Programs.** Employees can continue to exclude employer-provided tuition assistance, including amounts expended for undergraduate and graduate courses.
- **Adoption Assistance Programs.** The current limits on excludable employer-provided adoption assistance and tax credits for certain adoption-related expenses remain in effect.
- **Dependent Care Tax Credit.** The current limits on tax credits for certain dependent care-related expenses remain in effect.

Transportation Fringe Benefits. For 2012 and 2013, employees can exclude employer-provided commuter and transit pass benefits in an amount up to \$240 (possibly adjusted for inflation for 2013) per month. On January 1, 2014, the limit will decrease to \$100 (adjusted for inflation) per month, unless Congress enacts another extension.

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