

WANT TO KNOW MORE?

JULY 2020

IRS Announces HSA and HDHP Limits for 2021

The IRS recently released [Revenue Procedure 2020-32](#) to provide the inflation-adjusted limits for health savings accounts (HSAs) and high deductible health plans (HDHPs) for 2021. These limits vary based on whether an individual has self-only or family coverage under an HDHP.

What are the limits for 2021?

Eligible individuals with self-only HDHP coverage will be able to contribute **\$3,600** to their HSAs for 2021, up from \$3,550 for 2020. Eligible individuals with family HDHP coverage will be able to contribute \$7,200 to their HSAs for 2021, up from \$7,100 in 2020.

Individuals who are age 55 or older are permitted to make an additional \$1,000 “catch-up” contribution to their HSAs.

The minimum deductible amount for HDHPs remains the same for 2021 plan years (\$1,400 for self-only coverage and \$2,800 for family coverage). However, the HDHP maximum out-of-pocket expense limit increases to \$7,000 for self-only coverage and \$14,000 for family coverage.

What’s next?

Employers that sponsor HDHPs should review their plan’s limits when preparing for the 2021 plan year.

COVID-19 Guidance for Section 125 Midyear Election Changes

The IRS released [Notice 2020-29](#), which provides temporary flexibility for midyear election changes under a Section 125 cafeteria plan during calendar year 2020. The changes are designed to allow employers to respond to changes in employee needs as a result of the COVID-19 pandemic.

This guidance relates to midyear elections for:

- Self-insured and fully insured employer-sponsored health coverage
- Health flexible spending arrangements (health FSAs)
- Dependent care assistance programs (DCAPs)

Employees may be permitted to prospectively make election changes described in the notice, regardless of whether they satisfy existing midyear

election change rules.

The relief applies to all types of health FSAs, including limited-purpose health FSAs. In addition, employers are permitted to limit midyear elections for health FSAs and DCAPs to amounts no less than amounts already reimbursed.

Employer Action Steps

Employers using this relief may determine the extent to which such changes are permitted and applied. If these changes are permitted, the employer must adopt a plan amendment by Dec. 31, 2021, and inform employees of the change. The amendment may be retroactive to Jan. 1, 2020.

Changes to the plan may implicate other applicable laws, such as participant notification requirements under the Employee Retirement Income Security Act of 1974 (ERISA).

Provided by
[B_Officialname]

