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IRS Releases 2020 Limits for FSAs and Other Benefits

The Internal Revenue Service released [Revenue Procedure 2019-44](#) earlier this week, which contains the 2020 cost-of-living adjustments for various employee benefit plans including employer sponsored health care flexible spending accounts, qualified transportation fringe benefits, and adoption assistance programs. The following provides a summary of the annual limits for these specific benefit programs along with a summary of the 2020 high deductible health plan and health savings accounts limits announced earlier this year.

Each of the limits described below are applicable for taxable years beginning in 2020. If you have any questions or need further details about the tax limits and how they will impact your employee benefit programs, please contact your account team.

Health Care Flexible Spending Accounts
Employees will be allowed to contribute up to $2,750 per plan year.

Qualified Transportation Fringe Benefit
The monthly dollar limit on employee contributions has increased to $270 per month for the value of transportation benefits provided to an employee for qualified parking. The combined transit pass and vanpooling expense limit will also increase to $270 per month.

Adoption Credit/Adoption Assistance Programs
In the case of an adoption of a child with special needs, the maximum credit allowed under Code Section 23 is increased to $14,300. The income threshold at which the credit begins to phase out is increased to $214,520. Similarly, the maximum amount that an employer can exclude under Code Section 137 from an employee's income for adoption assistance benefits is increased to $14,300.

HDHP and Health Savings Account (HSA) Amounts

Earlier this year, the IRS released [Revenue Procedure 2019-25](#) which included the 2020 minimum deductible and maximum out-of-pocket limits for high deductible health plans (HDHPs) and the maximum contribution levels for HSAs.

- The minimum annual deductible for a plan to qualify as an HDHP will be $1,400 for self-only coverage and $2,800 for family coverage;
- The maximum annual out-of-pocket limits allowable under an HDHP will increase to $6,900 for self-only coverage and $13,800 for family coverage; and
- The 2020 maximum allowable annual contribution employees may make to their HSAs will increase to $3,550 for an individual with self-only coverage and increase to $7,100 for an individual with family coverage.

The HSA catch-up contribution limit for participants who are 55 or older on December 31, 2020, remains an additional $1,000 per year.

About the Author

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