



IRS Releases 2021 Welfare Benefit Plan Limits: Health FSA and HSA Limits Increase

The IRS has released Revenue Procedures 2020-45 and 2020-32, which set forth the 2021 inflation-adjusted limits for certain employee welfare benefit plans and the dollar amounts used for certain discrimination testing.

Health FSAs

The 2021 limit for employee salary reduction contributions to health flexible spending accounts will remain at \$2,750. If the cafeteria plan permits the carryover of unused amounts, the maximum carryover amount is \$550.

Health Savings Accounts

The 2021 limit on contributions to health savings accounts ("HSA"s) increases to \$3,600 (up from \$3,550) for a self-only HSA, and \$7,200 (up from \$7,100) for a family HSA. For 2021, the minimum deductible required for a high deductible health plan ("HDHP") remains (unchanged from 2020) at \$1,400 for employee-only coverage, and \$2,800 for family coverage. The maximum out-of-pocket amount for an HDHP (including deductibles, co-payments and other amounts, but not including premiums) cannot exceed \$7,000 (up from \$6,900) for self-only coverage and \$14,000 (up from \$13,800) for a family.

Dependent Care

There were no changes to the limits for dependent care flexible spending account contributions, and the maximum tax-exempt benefit from a dependent care assistance plan remains at \$5,000 (\$2,500 if married and filing separately), as this amount is not indexed to inflation.

Transportation and Parking

For 2021 the qualified transportation benefit limit for transit passes and for qualified parking remains at \$270 per month.

Highly Compensated Employee


"Highly compensated employees" (or "HCE"s) must be determined for several welfare plan nondiscrimination tests. For the 2021 plan year, the IRS announced in Notice 2020-79, that an employee who earns more than \$130,000 in 2020 is an HCE.


Patient-Centered Outcomes Research Institute (“PCORI”) Fee

As a reminder, the Further Consolidated Appropriations Act, 2020 (enacted last December) extends the PCORI fee obligations for ten years. While it was set to expire for policy/plan years ending on or after October 1, 2019, the fee will continue to be assessed through 2029. To date, the IRS has not yet released the PCORI fee amount for the 2021 plan year.

Revenue Procedure 2020-45 is available at: <https://www.irs.gov/pub/irs-drop/rp-20-45.pdf>, and Revenue Procedure 2020-32 is available at: <https://www.irs.gov/pub/irs-drop/rp-20-32.pdf>.


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