



# COMPLIANCE BULLETIN

## HIGHLIGHTS

- The IRS announced cost-of-living adjustments to the annual dollar limits for employee benefit plans.
- Many of these limits will increase for 2020.
- In 2020, employees may contribute more money to their HSAs, health FSAs and 401(k) accounts.

## RESOURCES

- [IRS Revenue Procedure 2019-25](#) (HSA/HDHP limits for 2020)
- [IRS Revenue Procedure 2019-44](#) (health FSA, adoption assistance and transportation plan limits for 2020)
- [IRS Notice 2019-59](#) (retirement plan limits for 2020)

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## IRS Announces Employee Benefit Plan Limits for 2020

### OVERVIEW

Many employee benefits are subject to annual dollar limits that are periodically increased for inflation. The Internal Revenue Service (IRS) recently announced cost-of-living adjustments to the annual dollar limits for various welfare and retirement plan limits for 2020. Although some of the limits will remain the same, most of the limits will increase for 2020.

The annual limits for the following commonly offered employee benefits will increase for 2020:

- ✓ High deductible health plans (HDHPs) and health savings accounts (HSAs);
- ✓ Health flexible spending accounts (FSAs);
- ✓ Transportation fringe benefit plans; and
- ✓ 401(k) plans.

### ACTION STEPS

Employers should update their benefit plan designs for the new limits and make sure that their plan administration will be consistent with the new limits in 2020. Employers may also want to communicate the new benefit plan limits to employees.



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## HSA and HDHP Limits

| HSA Contribution Limit  |         |         |           |
|-------------------------|---------|---------|-----------|
| Limit                   | 2019    | 2020    | Change    |
| Self-only HDHP coverage | \$3,500 | \$3,550 | Up \$50   |
| Family HDHP coverage    | \$7,000 | \$7,100 | Up \$100  |
| Catch-up contributions* | \$1,000 | \$1,000 | No change |

\*Not adjusted for inflation

| HDHP Limits           |                    |          |          |          |
|-----------------------|--------------------|----------|----------|----------|
| Limit                 | 2019               | 2020     | Change   |          |
| Minimum deductible    | Self-only coverage | \$1,350  | \$1,400  | Up \$50  |
|                       | Family coverage    | \$2,700  | \$2,800  | Up \$100 |
| Maximum out-of-pocket | Self-only coverage | \$6,750  | \$6,900  | Up \$150 |
|                       | Family coverage    | \$13,500 | \$13,800 | Up \$300 |

## FSA Benefits

| FSA Limits   |  |  |           |
|--|--|--|-----------|
| Limit  | 2019   | 2020   | Change    |
| Health FSA (limit on employees' pre-tax contributions) | \$2,700  | \$2,750  | Up \$50   |
| Dependent care FSA (tax exclusion)*                    | \$5,000 (\$2,500 if married and filing taxes separately) | \$5,000 (\$2,500 if married and filing taxes separately) | No change |

\*Not adjusted for inflation

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## Transportation Fringe Benefits

| Transportation Benefits                |       |       |        |
|--|-------|-------|--------|
| Limit (monthly limits)                 | 2019  | 2020  | Change |
| Transit pass and vanpooling (combined) | \$265 | \$270 | Up \$5 |
| Parking                                | \$265 | \$270 | Up \$5 |

## Adoption Assistance Benefits

| Adoption Benefits                            |          |          |          |
|--|----------|----------|----------|
| Limit  | 2019     | 2020     | Change   |
| Tax exclusion (employer-provided assistance) | \$14,080 | \$14,300 | Up \$220 |

## Qualified Small Employer HRA (QSEHRA)

| QSEHRA                      |                        |          |          |          |
|-----------------------------|------------------------|----------|----------|----------|
| Limit                       | 2019                   | 2020     | Change   |          |
| Payments and reimbursements | Employee-only coverage | \$5,150  | \$5,250  | Up \$100 |
|                             | Family coverage        | \$10,450 | \$10,600 | Up \$150 |

## 401(k) Contributions

| 401(k) Contributions        |          |          |          |
|-----------------------------|----------|----------|----------|
| Limit                       | 2019     | 2020     | Change   |
| Employee elective deferrals | \$19,000 | \$19,500 | Up \$500 |
| Catch-up contributions      | \$6,000  | \$6,500  | Up \$500 |

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