

## e-Alert: IRS Announces 2020 Contribution and Benefit Limits



### Background

The IRS has announced contribution and benefit limits for 2020.

### Summary

Flexible Spending Accounts (FSA)

The 2020 contribution limits for FSAs are as follows:

- For Healthcare FSAs, the contribution limit will increase to \$2,750.
- For Commuter FSAs, the contribution limit will increase to \$270 a year for the qualified transportation fringe benefit.

Health Savings Accounts (HSA)

Most HSA contribution limits will increase in 2020:

- Minimum deductible amounts for the qualifying high-deductible health plan (HDHP):

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- Individual Coverage \$1,400
- Family Coverage \$2,800
- Maximum contribution levels:
  - Individual Coverage \$3,550
  - Family Coverage \$7,100
  - Catch-up contribution allowed for those 55 and over is \$1,000
- Maximums for HDHP out-of-pocket expenses:
  - Individual Coverage \$6,900
  - Family Coverage \$13,800

#### Qualified Small Employer Health Reimbursement Accounts (QSEHRA)

The 2020 contribution limit for QSEHRA will increase to \$5,250 per self-only employee, up \$100 from 2019, and to \$10,600 per employee with a family, up \$150 from 2019.

#### Retirement Accounts

The 2020 retirement contribution limits are as follows:

- The employee contribution limit for 401(k) plans will be \$19,500, up from \$19,000.
  - The catch-up contribution limit for employees aged 50 and over will be \$6,500, increased from \$6,000.
- The employee contribution limit for IRAs will remain at \$6,000.
  - The catch-up contribution limit for employees aged 50 and over is not subject to an annual cost-of-living adjustment so it remains unchanged, at \$1,000.
- The employee contribution limit for SIMPLE IRAs and SIMPLE 401(k) plans will increase to \$13,500, up from \$13,000. (“SIMPLE” stands for savings incentive match plan for employees.)
  - The catch-up limit remains unchanged at \$3,000.

## Employer Next Steps

- Notify your employees about the 2020 401(k) increase in the employee contribution limit.
- Contact your payroll provider to prepare for the new contribution limits.
- If you are a Full-Service or Managed Payroll client of HR Knowledge, we will update these newly created plan limits in the ADP system.
- If you are not a client but are interested in learning more about our services, please [email us](#).

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