

The Internal Revenue Service (IRS) and Social Security Administration release the cost-of-living (COLA) adjustments that apply to dollar limitations set forth in certain IRS Code Sections.

## Healthcare FSA

Per IRS regulations, pretax employee contributions to Health Flexible Savings Accounts (FSAs) will be capped at \$2,750 for 2021.

	2021	2020
<b>Salary Reduction Annual Limit</b>	<b>\$2,750</b>	<b>\$2,750</b>

## Health Savings Account (HSA)

For calendar year 2021, the annual limitation on deductions for an individual with self-only coverage under a high deductible health plan is \$3,600 and for an individual with family coverage it is \$7,200.

The “high deductible health plan” annual deductible cannot be less than \$1,400 for self-only coverage or \$2,800 for family coverage, and the annual out-of-pocket expenses cannot exceed \$7,000 for self-only coverage or \$14,000 for family coverage. You can read the full details in the [IRS publication](#).

The catch-up contribution allowed for those 55 and over is remains at \$1,000.

Remember, qualifying HDHPs and no other impermissible coverage (such as coverage under another employer’s plan or from a health care flexible spending account that is not specifically compatible with an HSA) are required in order to fund an HSA.

	2021	2020
<b>Minimum deductible amounts for the qualifying high deductible health plan (HDHP)</b>		
<b>Individual coverage</b>	<b>\$1,400</b>	<b>\$1,400</b>
<b>Family coverage</b>	<b>\$2,800</b>	<b>\$2,800</b>
<b>Maximum contribution levels</b>		
<b>Individual coverage</b>	<b>\$3,600</b>	<b>\$3,550</b>
<b>Family coverage</b>	<b>\$7,200</b>	<b>\$7,100</b>
<b>Catch up allowed for those 55 and over</b>	<b>\$1,000</b>	<b>\$1,000</b>
<b>Maximums for HDHP out-of-pocket expenses</b>		
<b>Individual coverage</b>	<b>\$7,000</b>	<b>\$6,900</b>
<b>Family coverage</b>	<b>\$14,000</b>	<b>\$13,800</b>

## Qualified Small Health Reimbursement Arrangements (QSEHRAs)

The employer contribution limits for qualified small HRAs in 2020 are \$5,250 for single employees or \$10,650 for families.

QSEHRAs	2021	2020
<b>Qualified Small Health Reimbursement Arrangements (QSEHRAs) limit</b>		
Individual coverage	\$5,300	\$5,250
Family coverage	\$10,700	\$10,650

## Commuter Accounts

Nothing changed for the parking and transit/vanpooling from 2020 to 2021 - it remains the same at \$270.

2018 Transit Benefits	2021	2020
Parking - monthly limit	\$270	\$270
Transit and Vanpooling - monthly limit	\$270	\$270

## Dependent and/or Child Daycare Expenses

The cafeteria plan daycare contribution limit is \$5,000 for a married couple filing a joint return, or for a single parent filing as "Head of Household." For a married couple filing separate returns, the limit is \$2,500 each. The daycare credit is reduced dollar for dollar by contributions to or benefits received from an employer's cafeteria plan. An employee may participate in their employer's cafeteria plan and take a portion of the daycare expenses through the credit if they have sufficient expenses in excess of their cafeteria plan annual election, but within the tax credit limits.

Just a reminder that although the daycare expense limit associated with a cafeteria plan is not indexed, the tax credit available through a participant's tax filing was raised in 2003. The daycare credit must be filed on Form 2441 and attached to the 1040 tax filing form. The limits for the daycare credit expenses are \$3,000 of expenses covering one child and \$6,000 for families with two or more children. If one of the parents is going to school full-time or is incapable of self-care, the non-working spouse would be "deemed" as earning \$250 per month for one qualifying child and \$500 for two or more qualifying children. This "deemed" earned income is used whether a person is using the employer's cafeteria plan or taking the daycare credit.

**Questions?** Contact isolved Benefit Services Customer Service Representatives at 866-370-3040 or email at [fsa@isolvedhcm.com](mailto:fsa@isolvedhcm.com).