

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 \$3,050 for 2023.

	2023	2022
Salary Reduction Annual Limit	\$3,050	\$2,850

Health Savings Account (HSA)

For calendar year 2023, the annual limitation on deductions for an individual with self-only coverage under a high deductible health plan is \$3,850 and for an individual with family coverage it is \$7,750.

The “high deductible health plan” annual deductible cannot be less than \$1,500 for self-only coverage or \$3,000 for family coverage, and the annual out-of-pocket expenses cannot exceed \$7,500 for self-only coverage or \$15,000 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 to fund an HSA.

	2023	2022
Minimum deductible amounts for the qualifying high deductible health plan (HDHP)		
Individual coverage	\$1,500	\$1,400
Family coverage	\$3,000	\$2,800
Maximum contribution levels		
Individual coverage	\$3,850	\$3,650
Family coverage	\$7,750	\$7,300
Catch up allowed for those 55 and over	\$1,000	\$1,000
Maximums for HDHP out-of-pocket expenses		
Individual coverage	\$7,500	\$7,050
Family coverage	\$15,000	\$14,100

Qualified Small Health Reimbursement Arrangements (QSEHRAs)

The employer contribution limits for qualified small HRAs in 2023 are \$5,850 for single employees or \$11,800 for families.

QSEHRAs	2023	2022
Qualified Small Health Reimbursement Arrangements (QSEHRAs) limit		
Individual coverage	\$5,850	\$5,450
Family coverage	\$11,800	\$11,050

Commuter Accounts

Parking and transit/vanpooling increased \$20 from 2022 to 2023 to \$300.

Transit Benefits	2023	2022
Parking - monthly limit	\$300	\$280
Transit and Vanpooling - monthly limit	\$300	\$280

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.