



# Compliance Alert

## 2020 Health FSA Limit Increased to \$2,750

November 6, 2019

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Today the IRS confirmed in [Revenue Procedure 2019-44](#) that for plan years beginning on or after January 1, 2020, the health FSA salary reduction contribution limit will increase to \$2,750.

This represents a \$50 increase from the current \$2,700 salary reduction contribution limit for plan years beginning on or after January 1, 2019.

As a reminder, employer contributions (including non-cashable flex credits) [generally cannot exceed \\$500 per plan year](#) for the health FSA to maintain excepted benefit status. Non-excepted health FSAs generally cannot comply with the ACA market reform mandates. Therefore, in almost all cases the maximum health FSA amount available for plan years beginning on or after January 1, 2020 will be limited to \$2,750 (max employee salary contribution) + \$500 (max employer contribution, if offered) = \$3,250 (combined).

Also remember that the health FSA eligibility [cannot be broader than the major medical plan eligibility](#) to maintain excepted benefit status (as required by the ACA). In other words, the health FSA should never be available to an employee who is not also eligible for the major medical plan (regardless of enrollment status).

### Other Notable 2020 Employee Benefit Amounts

- **Commuter Benefits:** The transit pass/vanpooling and parking limits will increase to \$270 per month (up from \$265).
- **Adoption Assistance:** The adoption assistance plan limit will be \$14,300 (up from \$14,080).
- **401(k) Plan:** The annual employee elective deferral limit increases to \$19,500 (up from \$19,000). See [IRS Notice 2019-59](#) for more details.

- **HSA Limits:** The IRS released the 2020 HSA limits in May. The individual contribution limit will be \$3,550 (up from \$3,500) and the family contribution limit will be \$7,100 (up from \$7,000). See our [full alert for more details](#).
- **ACA Pay or Play Affordability:** The 2020 affordability safe harbor percentage decreases from 9.86% to 9.78%. This sets the federal poverty line affordability safe harbor at a \$101.79 maximum monthly employee-share of the premium for the lowest-cost plan option at the employee-only tier. See our [full alert for more details](#).
- **ACA Pay or Play Penalties:** The 2020 annualized employer mandate pay or play penalties will be \$2,570 (the Section 4980H(a) “A Penalty”) and \$3,860 (the Section 4980H(b) “B Penalty”) annualized. See the recently updated [IRS Employer Shared Responsibility Payment FAQ](#) for more details.
- **San Francisco HCSO:** The 2020 required health expenditure rates will be \$3.08 per hour payable for large employers (up from \$2.93) and \$2.05 per hour payable for mid-sized employers (up from \$1.95). See our [full alert for more details](#).
- **California SDI/PFL:** It is anticipated that the 2020 taxable wage base will be \$122,909 (continuing at an employee contribution rate of 1.0%), the employee contribution cap will be \$1,229.09, and the maximum weekly benefit will be \$1,300. As a reminder, California’s PFL program will expand to eight weeks as of July 2020. See our [full alert for more details](#).

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