

November 9, 2023

A Summary of 2024 Health and Welfare Plan Limits and Other Annual Adjustments

The Internal Revenue Service (IRS) released [Revenue Procedure 2023-34](#) on November 9, 2023, which contains the 2024 inflation adjustments for various employee benefit plans, including health care flexible spending accounts (HCFSA), qualified transportation fringe benefits, and adoption assistance programs. This Alert also summarizes other health and welfare benefit plan limits announced earlier this year and provides a brief summary of changes to the employer shared responsibility penalties under the Affordable Care Act (ACA).

If you have any questions or need further details about the tax limits and how they will affect your employee benefit programs, please contact your account team.

Health & Welfare Plan Inflation Adjustments

As expected, the 2024 HCFSA employee contribution limit increased significantly from 2023, by \$150. Employees can contribute up to \$3,200 for plan years beginning on or after January 1, 2024. Employer contributions, if any, do not count against this \$3,200 limit. The dependent care flexible spending account limit (DCFSA) remains unchanged.¹

We provide a comparison of FSA limits for 2023 and 2024 below.

¹ The \$5,000 DCFSA limit is statutory and requires an act of Congress to modify it. The American Rescue Plan Act of 2021 permitted DCFSA to increase the 2021 calendar year reimbursement limit to \$10,500, but it was not extended past 2021.

Highlights

Overview

This alert contains the 2024 inflation adjustments for various employee benefit plans, including:

- IRS limits for health care flexible spending accounts (HCFSA), qualified transportation fringe benefits, and adoption assistance programs
- ACA plan design limits and annual limits for qualified high deductible health plans (HDHP) and health savings accounts (HSA)
- IRS limits for excepted benefit health reimbursement arrangements (EBHRA)
- IRS adjustments to certain employer shared responsibility penalties under the Affordable Care Act (ACA)

Employer Action

Employers sponsoring applicable health and welfare plan benefits in 2024 that are subject to these indexed adjustments should adjust accordingly for the upcoming plan year and make necessary updates to their administration systems, participant communications, etc.

FSA Plan Design Limits		
<u>Item</u>	<u>2023</u>	<u>2024</u>
HCFA Salary Reduction Limit	\$3,050	\$3,200
HCFA Carryover Limit	\$610	\$640
DCFA Annual Limit	\$5,000	\$5,000

Qualified Transportation Fringe Benefits

The monthly dollar limit for employee contributions increased to **\$315** per month for the value of transportation benefits provided to an employee for qualified parking. The combined transit pass and vanpooling expense limit also increased to **\$315** per month.

Adoption Credit/Adoption Assistance Programs

The maximum adoption credit allowed under Code Section 23 increases to **\$16,810**. Similarly, the maximum amount that an employer can exclude under Code Section 137 from an employee’s income for adoption assistance benefits increases to **\$16,810**. The income threshold at which the credit (and income exclusion for employer provided benefits) begins to phase out increases to \$252,150 and is completely phased out for taxpayers with modified adjusted gross incomes of \$292,150 or more.

Other Health & Welfare Plan Limits

The IRS released [Rev. Proc. 2023-23](#), on May 16, 2023 containing the 2024 qualified high deductible health plan (HDHP) and health savings account (HSA) annual limits. The U.S. Department of Health & Human Services also previously released the [2024 annual limits](#) for non-grandfathered medical plans subject to the Affordable Care Act (ACA). The limits apply to plan years beginning during the applicable calendar year. Limits for 2023 and 2024 are shown below for comparison purposes.

ACA Plan Design Limits		
<u>Item</u>	<u>2023</u>	<u>2024</u>
Out-of-Pocket Maximum Limit ²	Self-only: \$9,100 Family: \$18,200	Self-only: \$9,450 Family: \$18,900
<i>Embedded Self-Only Out-of-Pocket Maximum Limit²</i>	\$9,100	\$9,450

² Limits do not apply to grandfathered plans under the ACA.

HDHP and HSA Annual Limits		
Item	2023	2024
HDHP Minimum Deductible	Self-only: \$1,500 Family: \$3,000	Self-only: \$1,600 Family: \$3,200
<i>Minimum Embedded Individual Deductible (if used)</i>	\$3,000	\$3,200
HDHP Out-of-Pocket Maximum Limit	Self-only: \$7,500 Family: \$15,000	Self-only: \$8,050 Family: \$16,100
<i>Embedded Self-Only Out-of-Pocket Maximum Limit²</i>	\$9,100	\$9,450
HSA Annual Contribution Limit	Self-only: \$3,850 Family: \$7,750	Self-only: \$4,150 Family: \$8,300
HSA Catch-up Contribution Limit (age 55 and older)	\$1,000	\$1,000

2024 maximum amount for Excepted Benefit HRA

IRS Rev. Proc. 2023-23 also included the 2024 revised annual contribution limit for Excepted Benefit HRAs. The maximum annual HRA contribution is \$2,100 for plan years that begin in 2024.

A Presidential Executive Order created Excepted Benefit HRAs in late 2017. If it meets certain conditions, an Excepted Benefit HRA is exempt from the ACA’s plan design mandates, allowing an employer to offer it on a standalone basis. Excepted Benefit HRAs may reimburse general medical expenses and premiums for COBRA, short-term limited duration insurance, and other excepted benefits coverage.

Increase to ACA Employer Mandate Penalties

Section 4980H Penalties

The ACA’s employer shared responsibility mandate requires Applicable Large Employers (ALEs) to offer medical coverage to their full-time (FT) employees³ in order to avoid potential penalties.

- The Section 4980H(a) penalty (the “no offer” penalty) – This penalty is triggered when an ALE fails to offer minimum essential coverage to at least 95% of its FT employees for a month, and at least one FT employee receives a subsidy in the Public Health Insurance Marketplace (Marketplace) for that month. The “no offer” penalty calculation is:

$$(\text{The ALE's total number of FT employees} - 30) \times 4980\text{H(a) penalty amount}^4$$

- The Section 4980H(b) penalty (the “inadequate offer” penalty) – This penalty is triggered when an ALE offers minimum essential coverage to at least 95% of its FT employees but fails to offer affordable and/or minimum

³ The offer must also include the FT employee’s natural and adopted children under age 26 in order to count as an offer to the FT employee.

⁴ If the ALE is a member of a group of closely related employers, the 30 FT employee exclusion does not independently apply to each member. Instead, each member receives a share of the total exclusion based on its proportion of FT employees relative to the entire group.

value coverage to a FT employee who receives a subsidy in the Marketplace. The inadequate offer penalty is limited to the FT employees actually receiving subsidies.

The IRS listed the 2024 penalty amounts in [Rev. Proc. 2023-17](#) and the 2024 affordability safe harbor percentage in [Rev. Proc. 2023-29](#). For comparison purposes, the 2023 and 2024 affordability safe harbor percentages and penalties are below.

Plan year beginning on or after	Section 4980H(a) Penalty	Section 4980H(b) Penalty	Affordability Safe Harbor %
January 1, 2023	\$240.00/month \$2,880/year	\$360.00/month \$4,320/year	9.12%
January 1, 2024	\$247.50/month \$2,970/year	\$371.67/month \$4,460/year	8.39%

Failure to Report Penalties

The [potential penalties](#) for failing to timely file the Forms 1094/1095 with the IRS and/or to deliver Forms 1095 B or C to required individuals are shown below. The penalties are per each late form.

Year forms due	Up to 30 days late	31 days late through August 1 st of year forms due	After August 1 st of year forms due	If intentional disregard to file
2023	\$50	\$110	\$290	\$580
2024	\$60	\$120	\$310	\$630

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