



IRS Increases Health FSA Contribution Limit for 2019, Adjusts Other Benefit Limits

On November 15, 2018, the Internal Revenue Service (IRS) released Revenue Procedure [2018-57](#), which raises the health Flexible Spending Account (FSA) salary reduction contribution limit by \$50 to **\$2,700** for plan years beginning in 2019. The Revenue Procedure also contains the cost-of-living adjustments that apply to dollar limitations in certain sections of the Internal Revenue Code.

Qualified Commuter Parking and Mass Transit Pass Monthly Limit Increase

For 2019, the monthly limits for qualified parking and mass transit are \$265 each (up \$5 from 2018).

Adoption Assistance Tax Credit Increase

For 2019, the credit allowed for adoption of a child is \$14,080 (up \$270 from 2018). The credit begins to phase out for taxpayers with modified adjusted gross income in excess of \$211,160 (up \$4,020 from 2018) and is completely phased out for taxpayers with modified adjusted gross income of \$251,160 or more (up \$4,020 from 2018).

Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) Increase

For 2019, reimbursements under a QSEHRA cannot exceed \$5,150 (single) / \$10,450 (family), an increase of \$100 (single) / \$200 (family) from 2018.

Reminder: 2019 HSA Contribution Limits and HDHP Deductible and Out-of-Pocket Limits

Earlier this year, the IRS [announced](#) the inflation adjusted amounts for HSAs and high deductible health plans (HDHPs).

| | 2019 (single/family) | 2018 (single/family) |
|---------------------------------------|----------------------|----------------------|
| Annual HSA Contribution Limit | \$3,500 / \$7,000 | \$3,450 / \$6,900 |
| Minimum Annual HDHP Deductible | \$1,350 / \$2,700 | \$1,350 / \$2,700 |
| Maximum Out-of-Pocket for HDHP | \$6,750 / \$13,500 | \$6,650 / \$13,300 |

The ACA's out-of-pocket limits for in-network essential health benefits have also increased for 2019. Note that all non-grandfathered group health plans must contain an embedded individual out-of-pocket limit within family coverage if the family out-of-pocket limit is above \$7,900 (2019 plan years). Exceptions to the ACA's out-of-pocket limit rule are also available for certain small group plans eligible for transition relief (referred to as "Grandmothered" plans). Unless [extended](#), relief for Grandmothered plans ends December 31, 2019.

| | 2019 (single/family) | 2018 (single/family) |
|----------------------------------|----------------------|----------------------|
| ACA Maximum Out-of-Pocket | \$7,900 / \$15,800 | \$7,350 / \$14,700 |

ACA Reporting Penalties (Forms 1094-B, 1095-B, 1094-C, 1095-C)

The table below describes penalties related to returns filed in the applicable year (e.g., the 2019 penalty is for returns filed in 2019 for calendar year 2018). Note that failure to issue a Form 1095-C when required may result in two penalties, as the IRS and the employee are each entitled to receive a copy (increased for willful failures, with no cap on the penalty).

| Penalty Description | 2020 Penalty | 2019 Penalty |
|--|---|---|
| Failure to file an information return or provide a payee statement | \$270 for each return with respect to which a failure occurs | \$270 for each return with respect to which a failure occurs |
| Annual penalty limit for non-willful failures | \$3,339,000 | \$3,275,500 |
| Lower limit for entities with gross receipts not exceeding \$5M | \$1,113,000 | \$1,091,500 |
| Failures corrected within 30 days of required filing date | \$50 | \$50 |
| Annual penalty limit when corrected within 30 days | \$556,500 | \$545,500 |
| Lower limit for entities with gross receipts not exceeding \$5M when corrected within 30 days | \$194,500 | \$191,000 |
| Failures corrected by August 1 | \$110 | \$100 |
| Annual penalty limit when corrected by August 1 | \$1,669,500 | \$1,637,500 |
| Lower limit for entities with gross receipts not exceeding \$5M when corrected by August 1 | \$556,500 | \$545,500 |
| Failure to file an information return or provide a payee statement due to intentional disregard | \$550 for each return with respect to which a failure occurs (no cap) | \$540 for each return with respect to which a failure occurs (no cap) |

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