

COMPLIANCE ALERT



EMPLOYEE BENEFITS | NOVEMBER 14, 2023

IRS Adjusts Health Flexible Spending Account and Other Benefit Limits for 2024

On November 9, 2023, the Internal Revenue Service (IRS) released [Revenue Procedure 2023-34](#), which increases the health flexible spending account (FSA) salary reduction contribution limit to \$3,200 for plan years beginning in 2024, an increase of \$150 from 2023. Thus, for health FSAs with a carryover feature, the maximum carryover amount is \$640 (20% of the \$3,200 salary reduction limit) for plan years beginning in 2024. Of course, when carrying over funds from 2023 to 2024, 20% of the \$3,050 salary reduction limit for 2023 is \$610.

The Revenue Procedure also contains the cost-of-living adjustments that apply to dollar limitations in certain other sections of the Internal Revenue Code.

QUALIFIED COMMUTER PARKING AND MASS TRANSIT PASS MONTHLY LIMIT

For 2024, the monthly limits for qualified parking and mass transit are increased to \$315 each, an increase of \$15 from 2023.

ADOPTION ASSISTANCE TAX CREDIT INCREASE

For 2024, the credit allowed for adoption of a child is \$16,810 (up \$860 from 2023). The credit begins to phase out for taxpayers with modified adjusted gross income in excess of \$252,150 (up \$12,920 from 2023) and is completely phased out for taxpayers with modified adjusted gross income of \$292,150 or more (up \$12,830 from 2023).

QUALIFIED SMALL EMPLOYER HEALTH REIMBURSEMENT ARRANGEMENT (QSEHRA) INCREASE

For 2024, reimbursements under a QSEHRA cannot exceed \$6,150 (single) / \$12,450 (family), an increase of \$300 (single) / \$650 (family) from 2023.

REMINDER: 2024 HSA CONTRIBUTION LIMITS AND HDHP DEDUCTIBLE AND OUT-OF-POCKET LIMITS

Earlier this year, in [Rev. Proc. 2023-23](#), the IRS announced the inflation adjusted amounts for HSAs and high deductible health plans (HDHPs).

	2024 (single/family)	2023 (single/family)
Annual HSA Contribution Limit	\$4,150 / \$8,300	\$3,850 / \$7,750
Minimum Annual HDHP Deductible	\$1,600 / \$3,200	\$1,500 / \$3,000
Maximum Out-of-Pocket for HDHP	\$8,050 / \$16,100	\$7,500 / \$15,000

The ACA's out-of-pocket limits for in-network essential health benefits have also been announced and have increased for 2024. Note that all non-grandfathered group health plans must contain an embedded individual out-of-pocket limit if the family out-of-pocket limit is above \$9,450 (2024 plan years). Exceptions to the ACA's out-of-pocket limit rule are available for certain small group plans eligible for transition relief (referred to as "Grandmothered" plans). While historically CMS has renewed the transition relief for Grandmothered plans each year, it [announced](#) in March 2022 that the transition relief

will remain in effect until it announces that all such coverage must come into compliance with the specified requirements.

	2024 (single/family)	2023 (single/family)
ACA Maximum Out-of-Pocket	\$9,450 / \$18,900	\$9,100 / \$18,200

ACA REPORTING PENALTIES (FORMS 1094-B, 1095-B, 1094-C, 1095-C)

The table below describes late filing penalties for ACA reporting. The 2025 penalty is for returns filed in 2025 for calendar year 2024, and the 2024 penalty is for returns filed in 2024 for calendar year 2023. 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.

Penalty Description	2025 Penalty	2024 Penalty
Failure to file an information return or provide a payee statement	\$330 for each return with respect to which a failure occurs	\$310 for each return with respect to which a failure occurs
Annual penalty limit for non-willful failures	\$3,978,000	\$3,783,000
Lower limit for entities with gross receipts not exceeding \$5M	\$1,329,000	\$1,261,000
Failures corrected within 30 days of required filing date	\$60	\$60
Annual penalty limit when corrected within 30 days	\$664,500	\$630,500
Lower limit for entities with gross receipts not exceeding \$5M when corrected within 30 days	\$232,500	\$220,500
Failures corrected by August 1	\$130	\$120
Annual penalty limit when corrected by August 1	\$1,993,500	\$1,891,500
Lower limit for entities with gross receipts not exceeding \$5M when corrected by August 1	\$664,500	\$630,500

Failure to file an information return or provide a payee statement due to intentional disregard	\$660 for each return with respect to which a failure occurs (no cap)	\$630 for each return with respect to which a failure occurs (no cap)
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This alert was prepared for Woodruff Sawyer by Marathas Barrow Weatherhead Lent LLP, a national law firm with recognized experts on ERISA-governed and non-ERISA-governed retirement and welfare plans, executive compensation, and employment law. Contact Stacy Barrow or Nicole Quinn-Gato at sbarrow@marbarlaw.com or nquinnгато@marbarlaw.com.

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