

For 2020 - 2021, Higher Limits for HSA Contributions and Deductibles

Out-of-pocket maximums for high-deductible plans also up

The Internal Revenue Services announced higher limits for 2020- 2021 on contributions to health savings accounts (HSAs) and for out-of-pocket spending under high-deductible health plans (HDHPs) linked to them.

A comparison of the 2019 and 2018 limits is shown below:

Contribution and Out-of-Pocket Limits for Health Savings Accounts and High-Deductible Health Plans			
	For 2020	For 2021	Change
HSA contribution limit (Employer + Employee)	Individual: \$3,550 Family: \$7,100	Individual: \$3,600 Family: \$7,200	Individual: +\$50 Family: +\$100
HSA catch-up contributions (age 55 or older)*	\$1,000	\$1,000	No Change**
HDHP minimum deductibles	Individual: \$1,400 Family: \$2,800	Individual: \$1,400 Family: \$2,800	No Change**
HDHP maximum out-of-pocket amounts (deductibles, co-payments and other amounts, but not premiums)	Individual: \$6,900 Family: \$13,800	Individual: \$7,000 Family: \$14,000	Individual: +\$100 Family: +\$200

* Catch- up contributions can be made any time during the year in which the HSA participant turns 55.

** Unlike other limits, the HSA catch-up contribution amount is not indexed' any would require statutory change.

Penalties for Nonqualified Expenses

Those under age 65 (unless totally and permanently disabled) who use HSA funds for nonqualified medical expenses face a penalty of 20% of the funds used for such expenses. Funds spent for nonqualified purposes are also subject to income tax.

Coverage for Adult Children

While the Affordable Care Act allows parents to add their children (up to 26) to their health plans, the IRS has not changed its definition of a dependent for health savings accounts. This means that an employee whose 24-year-old child is covered on his HSA-qualified high-deductible plan is not eligible to use HSA funds to pay that child's medical bills.

If account holders can't claim a child as a dependent on their tax returns, then they can't spend HSA dollars on services provided to that child. According to the IRS definition, a dependent is a qualifying child (daughter, son, stepchild, stepsibling, or any descendants of those) who:

- Has the same principal place of abode as the covered employee for more than one-half of the taxable year.
- Has not provided more than one-half of his or her own support during the taxable year.
- Is not yet 19 (or, if a student , not yet 24) at the end of the tax year is permanently and totally disabled.