IRS Announces 2024 Benefit Plan Limits

The Internal Revenue Service has adjusted the contribution limits for employer-sponsored benefits based on inflation. The following changes will be effective January 1, 2024.

Benefit	2023 Limit	2024 Limit
Health Savings Account (HSA)	• $3,850 single coverage • $7,750 family coverage	• $4,150 single coverage • $8,300 family coverage
Catch-up contributions	• $1,000	• $1,000
High Deductible Health Plan (HDHP)	• At least $1,500 single coverage with $7,500 maximum out of pocket • At least $3000 family coverage with $15,000 maximum out of pocket	• At least $1,600 single coverage with $8,050 maximum out of pocket • At least $3,200 family coverage with $16,100 maximum out of pocket
Maximum Out-of-Pocket limits	• $9,100for self-only coverage • $18,200 for family coverage	• $9,450 for self-only coverage • $18,900 for family coverage
Excepted Benefit* Health Reimbursement Arrangement (HRA)	• $1,950	• $2,100
Flexible Spending Account (FSA)	• $3,050 for health care accounts with up to $610 carried over, if allowed • $5,000 for dependent care expenses	• $3,200 for health care accounts with up to $640 carried over, if allowed • $5,000 for dependent care expenses
401(k), 403(b), and most 457 retirement plans	• $22,500	• $23,000
401(k), 403(b), and most 457 retirement plan catch-up contributions	• $6,500	• $7,000

** Excepted benefit plans are those that cover benefits such as vision and dental that do not fall under ACA regulation and are not covered by the employer's health insurance plan.*

Out-of-pocket expenses are inclusive of deductibles, co-payments, and coinsurance but do not include premiums.

Employees turning 55 and older in 2024 are able to contribute an additional $1,000 in catch-up funds to an individual HSA account. Catch-up contribution amounts are set by statute and are not adjusted for inflation, so they did not change for 2024. Catch-up contributions for retirement plans did increase, though, and employees turning 55 or older in 2024 may contribute an additional $500 in 401(k), 403(b), and/or most 457 retirement plan catch-up contributions, allowing for up to $30,000 in total contributions.

Individuals carrying family health care coverage should keep one important fact in mind about catch-up contributions and HDHP participation. An individual may elect to contribute up to the maximum family contribution amount, but the combined contribution amount for married spouses should not exceed the maximum family limit. In addition, catch-up contributions to an HSA account must be made independently by each spouse. HSAs are individual accounts, so for both spouses to take advantage of catch-up contributions, each must hold an individual HSA account, even if covered under the same insurance plan. Special rules apply for family limits if a dependent is claimed on another person's tax return, so it is advised that employees consult a tax professional before making any HSA elections if that situation applies.

In addition to contribution adjustments, the IRS has finalized a review of the "family glitch" recognized in the 2013 Affordable Care Act guidelines. The original version of the Act states that plan affordability is based on the cost of an employee's coverage but did not account for the additional expense employees incur when providing coverage for dependents. An employee (and family) was effectively disqualified for subsidies through the exchange/marketplace for family coverage if the employer's plan offered single coverage deemed affordable, regardless of the cost of family coverage. The new rule changes the calculation to account for the cost of covering family members.

Employers are advised to check plan documents to ensure the language allows for the referenced changes. Plans indicating dollar limitations or calculations may need to be amended to comply with recent changes.