



IRS Announces 2020 Employee Benefits Inflation-Adjusted Amounts

The following will be the inflation adjusted employee benefit parameters for taxable years beginning in 2020 as announced by the IRS in Revenue Procedure [2019-44](#).

Cafeteria Plans: The dollar limitation on salary reduction amounts to healthcare flexible spending accounts (“FSA”) under §125(i) will be **\$2,750** (*previously \$2,700*).

Qualified Transportation Fringe Benefits: The monthly limitation under §132(f)(2)(A) for the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and any transit pass is **\$270** (*previously \$265*). The 2020 monthly limitation under §132(f)(2)(B) for qualified parking will also be set at **\$270** (*previously \$265*).

Adoption Assistance Programs: Under §137, the 2020 amount that can be excluded from an employee’s gross income for the adoption of a child with special needs is **\$14,300** (*previously \$14,080*) which is the same amount that can be excluded from an employee’s gross income for the amounts paid or expenses incurred by an employer for qualified adoption expenses furnished pursuant to an adoption assistance program for other adoptions by the employee. The amount excludable from an employee’s gross income begins to phase out under §137(b)(2)(A) for taxpayers with 2020 modified adjusted gross income in excess of **\$214,520** (*previously \$211,160*).

Failure to File Correct Information Returns (§6721) and Failure to Furnish Correct Payee Statements (§6722): The general penalty amount for 2020 will be **\$280** (*previously \$270*) per return and the maximum penalty will be **\$3,392,000** (*previously \$3,339,000*). A lower general maximum penalty of \$1,130,500 (*previously \$1,113,000*) applies when annual gross receipts for three years are less than five million dollars. These penalties apply to Forms 1094/1095 (B and C Series) filed in 2021 for the 2020 tax year.

Health Insurance Expense of Small Employers: The dollar amount in effect under §45R(d)(3)(B) is **\$27,600** (*previously \$27,100*). This amount is used under §45R(c) for limiting the small employer health insurance credit available to certain small employers who purchase group health coverage from the Marketplace. In addition, the average wage criteria for small employers to be eligible to claim a tax credit in 2020 will be determined based on average wages up to two times this amount, or **\$55,200** (*previously \$54,200*) in accordance with §45R(d)(1)(B).

Qualified Small Employer Health Reimbursement Arrangement (“QSEHRA”). To qualify as a QSEHRA under §9831(d), the 2020 maximum payments and reimbursements cannot exceed **\$5,250** and **\$10,600** for self-only and family coverage, respectively (*previously \$5,150 and \$10,450*).

[IRS Notice 2019-59](#) increases the dollar limitation (used for cafeteria plan section 125 nondiscrimination testing) under §416(i)(1)(A)(i) for the definition of **Key Employee** to **\$185,000** (*previously \$180,000*) and the limitation used in the definition of **Highly Compensated Employee** under §414(q)(1)(B) to **\$130,000**. (*previously \$125,000*).



Earlier this year the IRS announced the calendar year 2020 amounts in effect for **Health Savings Accounts** and **High Deductible Health Plans** (“HDHP”) under §223 in [Revenue Procedure 2019-25](#) which are as follows:

	Minimum In-Network Deductible		In-Network Out-of-Pocket Limit		Annual Contribution Limit	
	2020	2019	2020	2019	2020	2019
Self-Only	\$1,400	\$1,350	\$6,900	\$6,750	\$3,550	\$3,500
Other	\$2,800	\$2,700	\$13,800	\$13,500	\$7,100	\$7,000

The annual HSA catch-up contribution limitation for individuals age 55 and over remains at **\$1,000** for 2020.

Note: The Maximum Annual Out-of-Pocket Limit (“MOOP”) for HSAs is different than the MOOP that applies to in-network essential health benefits for non-grandfathered plans under the Affordable Care Act (“ACA”). The 2020 ACA MOOP has been set at **\$8,150** and **\$16,300** for self only and family coverage, respectively.

2020 refers to the taxable years beginning in 2020 unless otherwise noted

ADDITIONAL INFORMATION

For specific questions concerning information contained in this **Client Alert**, please contact your CohnReznick Benefits consultant. Information contained in this **Client Alert** is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance with respect to matters of law, tax and related regulation. CohnReznick Benefits consultants provides comprehensive consulting and administrative services with respect to all forms of employee benefits, risk management, qualified and non-qualified retirement plans, M&A due diligence, private client services, and compensation and human resources. For additional information about our services, please contact us at 516.683.6100 or mail@cohnreznickbenefits.com.