



2021 health FSA, other health and fringe benefit limits now set

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IRS [Rev. Proc. 2020-45](#) gives the 2021 contribution and other limits for health flexible spending arrangements (FSAs); Archer medical savings accounts (MSAs); and qualified small-employer health reimbursement arrangements (QSEHRAs), long-term care (LTC) policies, transportation fringe benefits and adoption assistance programs. The 2021 adjusted figures reflect the increase in the average chained Consumer Price Index for All Urban Consumers (C-CPI-U) for the 12 months ending Aug. 31, 2020, after applying statutory rounding rules. [Rev. Proc. 2020-43](#) set the 2021 employer contribution limit for excepted-benefit HRAs, while [Notice 2020-33](#) increased the health FSA limit on 2020 carryovers to the 2021 plan year, with future carryovers capped at 20% of the maximum employee pretax contribution to a health FSA for a plan year. [Rev. Proc. 2020-45](#) keeps the limit at \$550 for 2021 health FSA carryovers to the 2022 plan year. Mercer's [2021 quick benefit facts](#) sheet highlights other key health and retirement benefit amounts announced earlier this year.

Health FSA, certain HRA, Archer MSA and LTC limits

The table starting on the next page shows the 2021 adjusted amounts for health FSAs, QSEHRAs, Archer MSAs and qualified LTC policies, along with the limits for 2020 and 2019. Also shown is the 2021 maximum annual employer contribution for excepted-benefit HRAs set by [Rev. Proc. 2020-43](#). The health FSA carryover limits shown reflect the maximum unused funds that can carry over to the next plan year.

	2021	2020	2019
Health FSA limit (IRC §125(i))			
Maximum salary reduction contribution	\$2,750	\$2,750	\$2,700
Maximum health FSA carryover	550	550	500
Excepted-benefit HRA limit (26 CFR § 54.9831(c)(3)(viii)(B)(1))			
Maximum employer contribution	1,800	1,800	N/A
QSEHRA limit (IRC § 9831(d))			
Maximum annual benefit			
Self-only coverage	5,300	5,250	5,150
Family coverage	10,700	10,600	10,450
Archer MSA limits (IRC § 220(c)(2))			
Self-only coverage			
Minimum annual deductible	2,400	2,350	2,350
Maximum annual deductible	3,600	3,550	3,500
Maximum out-of-pocket limit	4,800	4,750	4,650
Family coverage			
Minimum annual deductible	4,800	4,750	4,650
Maximum annual deductible	7,150	7,100	7,000
Maximum out-of-pocket limit	8,750	8,650	8,550
Qualified LTC policy limits (IRC § 213(d) and 7702B(d)(4))			
Premium limits at age			
40 or younger	450	430	420
41–50	850	810	790
51–60	1,690	1,630	1,580
61–70	4,520	4,350	4,220
Older than 70	5,640	5,430	5,270
Per diem limit	400	380	370

The 2021 adjusted amounts for health savings accounts (HSAs), HSA-qualifying high-deductible health plans, out-of-pocket maximums in nongrandfathered group health plans and various indexed amounts for the ACA's employer-shared responsibility provision were announced earlier this year.

Qualified transportation fringe benefits and adoption assistance programs

This table shows the 2021 adjusted figures for qualified transportation fringe and adoption assistance benefits set by Rev. Proc. 2020-45, along with amounts for 2020 and 2019.

	2021	2020	2019
Tax-free qualified transportation fringe benefits (IRC § 132 (f))			
Monthly qualified parking, transit passes or commuter highway vehicles	\$270	\$270	\$265
Qualified adoption assistance programs (IRC § 137)			
Exclusion for child with special needs (regardless of expenses incurred)	14,400	14,300	14,080
Aggregate dollar limit for all taxable years	14,400	14,300	14,080
Phaseout begins at modified AGI of	216,660	214,520	211,160
Phaseout completed at modified AGI of	256,660	254,520	251,160

Related resources

Non-Mercer resources

- [Rev. Proc. 2020-45](#) (IRS, Oct. 26, 2020)
- [IRS provides tax inflation adjustments for tax year 2021](#) (IRS, Oct. 26, 2020)
- [Rev. Proc. 2020-36](#) (IRS, July 21, 2020)
- [Rev. Proc. 2020-32](#) (IRS, May 20, 2020)
- [Final HHS notice of benefit and payment parameters for 2021](#) (Federal Register, May 14, 2020)
- [Notice 2020-33, Modification of carryover rule for health FSAs and clarification of premium reimbursements by individual-coverage HRAs](#) (IRS, May 12, 2020)

Mercer Law & Policy resources

- [2021 quick benefit facts](#) (Oct. 27, 2020)
- [2021 transportation, health FSA and Archer MSA limits projected](#) (Aug. 14, 2020)
- [Affordable percentage will rise for employer health coverage in 2021](#) (July 22, 2020)

2021 health FSA, other health and fringe benefit limits now set

- [2021 ACA out-of-pocket maximums, ESR penalties, other changes ahead](#) (June 3, 2020)
- [IRS offers relief to cafeteria plans, HDHPs, individual-coverage HRAs](#) (May 28, 2020)
- [2021 health savings account, high-deductible health plan figures set](#) (May 20, 2020)
- [Quick benefit facts and COLA resources, 2017–2020](#) (Jan. 27, 2020)

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