BENEFITS BUZZ

JUNE 2021

## HSA/HDHP Limits Increase for 2022

On May 10, 2021, the IRS released Revenue Procedure 2021-25 to provide the inflation-adjusted limits for health savings accounts (HSAs) and high deductible health plans (HDHPs) for 2022. The IRS is required to publish these limits by June 1 of each year.

Eligible individuals with self-only HDHP coverage will be able to contribute **$3,650** to their HSAs for 2022, up from $3,600 for 2021. Eligible individuals with family HDHP coverage will be able to contribute **$7,300** to their HSAs for 2022, up from $7,200 for 2021. Individuals who are age 55 or older are permitted to make an additional $1,000 "catch-up" contribution to their HSAs.

The minimum deductible amount for HDHPs remains the same for 2022 plan years ($1,400 for self-only coverage and $2,800 for family coverage). However, the HDHP maximum out-of-pocket expense limit increases to **$7,050** for self-only coverage and **$14,100** for family coverage.

## IRS Issues Guidance on Taxability of DCAP Benefits

On May 10, 2021, the IRS released guidance on the taxability of dependent care assistance programs (DCAPs) for 2021 and 2022, clarifying that amounts attributable to previously issued carryover and extended grace period relief generally are **not taxable**.

Carryovers of unused DCAP amounts typically are not permitted, although a 2½ month grace period is allowed. However, recent coronavirus-related relief allows employers to amend their plans to permit the carryover of unused DCAP amounts to plan years ending in 2021 and 2022, or to extend the permissible grace period to plan years over the same period.

Specifically, if these dependent care benefits would have been excluded from income if used during taxable year 2020 (or 2021, if applicable), these benefits will **remain excludible** from gross income and are not considered wages of the employee for 2021 and 2022. They will also generally **not be taken into account** for purposes of applying the exclusion limits of Internal Revenue Code Section 129.

## Remainder of 2022 Payment Notice Finalized

On May 5, 2021, the Department of Health and Human Services (HHS) published a second Notice of Benefit and Payment Parameters (NBPP) for 2022 that finalized the remainder of the standards included in the proposed notice issued at the end of 2020. The first final 2022 NBPP was published Jan. 19, 2021.

This second NBPP describes additional benefit and payment parameters under the Affordable Care Act (ACA) that apply for the 2022 benefit year, including the following:

- The annual out-of-pocket maximum limit will increase to **$8,700** (self-only coverage) or **$17,400** (family coverage).
- The required contribution percentage for catastrophic coverage eligibility will decrease to **8.09%**.
- An additional special enrollment period (SEP) for Exchange coverage for certain Exchange enrollees who lose premium tax credit eligibility.

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