

Health Savings Account (HSA)

The IRS recently announced that:

2025 HSA contribution limits will increase to \$4,300 and \$8,550 for self-only and family HSAs, respectively. These are increases of \$150 and \$250 from 2024 HSA limits. 2025 HDHP minimum deductible and maximum out-of-pocket limits also are increasing.



What are the 2024 and 2025 HSA contribution limits?

HSA	2024	2025
Self-only contribution limit	\$4,150	\$4,300
Family contribution limit	\$8,300	\$8,550

What are the 2024 and 2025 HDHP amounts & limits?

HDHP (SELF-ONLY COVERAGE)

	2024	2025
Minimum deductible:	\$1,600	\$1,650
Maximum out-of-pocket limit	\$8,050	\$8,300

HDHP (FAMILY COVERAGE)

	2024	2025
Minimum deductible:	\$3,200	\$3,300
Maximum out-of-pocket limit	\$16,100	\$16,600

What to Know About HSAs

Who is eligible for an HSA?

Your employees must be enrolled in an HSA-eligible health plan (or HDHP) to be eligible to participate in an HSA.

Whose purchases can a participant spend their HSA funds on?

An HSA participant can use their funds to pay for eligible expenses for:

- Themselves
- Their spouse
- Any HSA eligible dependents claimed on their tax return
- Anyone they could have claimed as a dependent but weren't able to

What happens when a participant contributes more to their HSA than is allowed?

Any funds contributed beyond what the IRS allows are included on a participant's W-2 as taxable income and are subject to a 6% excise tax.

How do HSA catch-up contributions work?

HSA participants who are 55 years of age or older can contribute an extra \$1,000 annually. That means these HSA participants eligible for catch-up contributions have 2025 limits of \$5,300 for self-only and \$9,550 for family coverage.



This information is for educational purposes only. It is not legal or tax advice. For legal or tax advice, you should consult your own legal counsel, tax, and investment advisers.

Flexible Spending Account (FSA)

In an FSA, an employee may set aside, on a pre-tax basis, a pre-established amount of money per plan year. An employee can use the funds in an FSA to pay for eligible health care and/or dependent care expenses.

The Health Care FSA and the Dependent Care FSA are separate accounts for different uses. Money from one FSA cannot be used for the other account's purpose. Once a plan election is made for the year, the election is irrevocable unless the employee incurs an IRS-defined qualifying event like marriage, divorce, birth or child adoption, employment status change, etc.

A Health Care FSA can be used to pay for a variety of health care expenses incurred by an employee, their spouse and/or their dependents. Examples of expenses include: physicians visits, prescription drug copayments, and dental and vision care expenses not covered by a health insurance plan. Eligible health care expenses are outlined in IRS Publication 502.

The US Treasury Department amended the use-or-lose rule to allow a limited amount of unused funds to rollover at the end of the plan year. Up to \$500 in unused funds can rollover into the following plan year (the rollover amount is not cumulative from one year to the next). Any unused amounts in excess of \$500 is forfeited. The rollover amount does not reduce the following plan year's annual maximum.

Prior to this guidance, many health care FSAs implemented a grace period, which allows an employee to spend any remaining money during the two and a half months following the plan year. Now, employers have the ability to allow for a carryover/rollover or a grace period, but not both, or no option at all.



Dependent Care FSA

A Dependent Care FSA is an attractive benefit if an employee has day care, nursery school, preschool, before/after-school care, adult day care facilities, and adult in-home day care. Persons qualified for care under a dependent care FSA include, a dependent that is under the age of 13 when the care was provided and can be claimed as an exemption on a participant's income taxes.

Dependent care FSA contributions are subject to the IRS "use-it-or-lose-it rule" and "run-out-period rule" and it may also include a "grace period" extension.

