



## IRS Releases HSA Contribution Limits for 2022

The IRS has issued [Revenue Procedure 2021-25](#), providing inflation-adjusted Health Savings Account (HSA) contribution amounts for calendar year 2022:

### Maximum Contribution Amount

- Individual - \$3,650 *(increase of \$50)*
- Family - \$7,300 *(increase of \$100)*
- Catch-up (age 55+) - \$1,000 *(no increase)*

High Deductible Health Plan (HDHP) deductible amounts and expense limits for 2022 were also announced:

### Annual Maximum Out-of-Pocket Limit for HDHP

- Individual - \$7,050 *(increase of \$50)*
- Family - \$14,100 *(increase of \$100)*

### Annual Minimum Deductible Limit for HDHP

- Individual - \$1,400 *(no increase)*
- Family - \$2,800 *(no increase)*

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## IRS Provides Guidance on Temporary Dependent Care Benefits Allowed Under CAA & ARPA

The IRS has issued [Notice 2021-26](#) to answer questions related to Dependent Care Flexible Savings Accounts (DCFSA), specifically the interaction between the temporary extensions and carryovers allowed by the Consolidated Appropriations Act (CAA) and the increased maximum contribution amount allowed by the American Rescue Plan Act (ARPA).

The notice clarifies that amounts that would have been excluded in the prior tax year remain excludable from income in the subsequent tax year, even if they are carried over or can be spent during an extended claims period. It also makes clear that amounts carried over and extended claims periods do not

need to be considered when determining the annual limit for the following year.

To further illustrate these points, [Notice 2021-26](#) provides three examples of when amounts carried over or available under an extended claims period are excludable from income:

### **Calendar Plan Year**

For the 2020 plan year, the employee elects to contribute \$5,000 but incurs no dependent care expenses. The employee is permitted to carry over \$5,000 into the 2021 plan year. For the 2021 plan year, the employee elects to contribute \$10,500 to the plan. The employee is reimbursed for \$15,500 in expenses during the 2021 plan year. The entire amount (\$15,500) is excludable from income.

### **Non-calendar Plan Year (July 1 to June 30)**

For the 2020 plan year, the employee elects to contribute \$5,000 but incurs no dependent care expenses. The employee is permitted to carry over \$5,000 into the 2021 plan year. For the 2021 plan year, the employee elects to contribute \$10,500 to the plan. The employee does not incur any dependent care expenses during the 2021 plan year. Beginning on January 1, 2022, the employee has \$15,500 in available benefits. For the 2022 tax year, only \$10,000 is excludable from income because \$5,000 is attributable to permitted carryovers and \$5,000 is the permitted contribution for the 2022 tax year. The remaining amount, if reimbursed, is taxable.

### **Non-calendar Plan Year (July 1 to June 30)**

For the 2020 plan year, the employee does not elect to participate or contribute in the dependent care plan. For the 2021 plan year, the employee elects to contribute \$10,500 to the plan. The employee incurs \$5,000 in dependent care expenses for the period July 1, 2021, to December 31, 2021. The \$5,000 incurred is excludable from income. Beginning January 1, 2022, the employee has \$5,500 available, but only \$5,000 is excludable from income because \$5,000 is the permitted contribution for the 2022 tax year. The remaining \$500, if reimbursed, is taxable.

## **Plan Amendments**

Employers choosing to amend their plans must do so by the last day of the first calendar year beginning after the end of the plan year in which the amendment is effective. Retroactive amendments are not permitted after December 31, 2022.

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