



UBA
Compliance Brief

What every HR leader should know
about compliance, *at a glance*



IRS Releases 2021 Benefit Plan Limit Cost-of-Living Adjustments

5-Minute Read

The Internal Revenue Service (IRS) has released [IRS Notice 2020-79](#), announcing cost-of-living adjustments regarding the 2021 limits for retirement plans and IRS [Rev. Proc. 2020-45](#), announcing cost-of-living adjustments regarding 2021 limits for health and welfare plans. The Social Security Administration (SSA) also [announced](#) an increase in the Social Security wage base for 2021 and an increase in the maximum income allowable without reducing Social Security retirement benefits.

Action Items

- Consult with carriers and service providers regarding the implementation of the new limits.
- Update participation materials, such as benefits updates and newsletters to communicate the limits to employees.
- Update plan documents/SPDs, and notify participants enrolling in the plans as part of open enrollment.



2021 Annual Benefit Plan Amounts		
Social Security/Medicare	2020 Limit	2021 Limit
▪ OASDI taxable wage base	\$137,700	\$142,800
▪ OASDI tax rate - employer	6.2%	6.2%
▪ OASDI tax rate - employee	6.2%	6.2%
▪ Medicare tax rate - employer	1.45%	1.45%
▪ Medicare tax rate - employee	1.45% ¹	1.45% ¹
Maximum income without reducing Social Security retirement benefits		
▪ SSRA ² or over	no limit	no limit
▪ Year individual attains SSRA ²	\$48,600/yr. ³	\$50,520/yr. ³
▪ Under SSRA ²	\$18,240/yr.	\$18,960/yr.
¹ Employer must withhold additional 0.9% from compensation in excess of \$200,000 (single, head of household with qualifying person, or qualifying widow with dependent child), \$250,000 (married filing jointly), \$125,000 (married filing separate)		
² Social Security Retirement Age (age at which an individual may receive an unreduced monthly benefit)		
³ No limit on earnings beginning the month an individual attains SSRA		
Health Plan Limits		
Maximum Health FSA		
▪ Employee deferral	\$2,750	\$2,750
▪ Carryover	\$550	\$550
Maximum HSA contribution		
▪ Individual	\$3,550	\$3,600
▪ Family	\$7,100	\$7,200
▪ Catch-up	\$1,000	\$1,000
Minimum HDHP deductible		
▪ Individual	\$1,400	\$1,400
▪ Family	\$2,800	\$2,800
Maximum HDHP out-of-pocket		
▪ Individual	\$6,900	\$7,000
▪ Family	\$13,800	\$14,000
Maximum out-of-pocket (non-grandfathered plans)		
▪ Individual	\$8,150	\$8,550
▪ Family	\$16,300	\$17,100
Transitional Reinsurance Fee (per person)	Only paid through the 2016 plan year.	



2021 Annual Benefit Plan Amounts		
Contribution & Benefit Limits	2020 Limit	2021 Limit
Section 401(k), 403(b), or 457(b) annual deferral	\$19,500	\$19,500
SIMPLE plan annual deferral	\$13,500	\$13,500
Section 415 maximums		
▪ Annual benefit from defined benefit plan	\$230,000	\$230,000
▪ Annual additions to defined contribution plan	\$57,000	\$58,000
Maximum IRA contribution	\$6,000	\$6,000
Catch-up contribution limits		
▪ Retirement plan	\$6,500	\$6,500
▪ SIMPLE plan	\$3,000	\$3,000
▪ IRA	\$1,000	\$1,000
Compensation Amounts		
Annual compensation limit	\$285,000	\$290,000
Grandfathered governmental plan participants	\$425,000	\$430,000
Highly compensated employees		
▪ Any employee*	\$130,000**	\$ 130,000**
▪ 5 percent owner	no minimum	no minimum
Key employees		
▪ Officer	\$185,000	\$185,000
▪ 1 percent owner	\$150,000	\$150,000
▪ 5 percent owner	no minimum	no minimum
Small Employer Health Insurance Credit Average Wage Phase-Out	\$27,600	\$27,800

* Employer may elect to limit to top-paid 20%

**Due to the look-back rule, applies in determining HCEs during following year

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