



## Inflation enhances the 2025 amounts for Health Savings Accounts

The IRS recently released guidance providing the 2025 inflation-adjusted amounts for Health Savings Accounts (HSAs). These amounts are adjusted each year, based on inflation, and the adjustments are announced earlier in the year than other inflation-adjusted amounts, which allows employers to get ready for the next year.

### **Fundamentals of HSAs**

An HSA is a trust created or organized exclusively for the purpose of paying the qualified medical expenses of an account beneficiary. An HSA can only be established for the benefit of an eligible individual who is covered under a high-deductible health plan (HDHP). In addition, a participant can't be enrolled in Medicare or have other health coverage (exceptions include dental, vision, long-term care, accident and specific disease insurance).

Within specified dollar limits, an above-the-line tax deduction is allowed for an individual's contribution to an HSA. This annual contribution limitation and the annual deductible and out-of-pocket expenses under the tax code are adjusted annually for inflation.

### **Inflation adjustments for 2025**

In Revenue Procedure 2024-25, the IRS released the 2025 inflation-adjusted figures for contributions to HSAs, which are as follows:

**Annual contribution limits.** For calendar year 2025, the annual contribution limit for an individual with self-only coverage under an HDHP will be \$4,300. For an individual with family coverage, the amount will be \$8,550. These are up from \$4,150 and \$8,300, respectively, in 2024.

In addition, for both 2024 and 2025, there's a \$1,000 catch-up contribution amount for those who are age 55 or older by the end of the tax year.

**High-deductible health plan limits.** For calendar year 2025, an HDHP will be a health plan with an annual deductible that isn't less than \$1,650 for self-only coverage or \$3,300 for family coverage (these amounts are \$1,600 and \$3,200 for 2024). In addition, annual out-of-pocket expenses (deductibles, co-payments and other amounts, but not premiums) won't be able to exceed \$8,300 for self-only coverage or \$16,600 for family coverage (up from \$8,050 and \$16,100, respectively, for 2024).

### **Health Reimbursement Arrangements**

The IRS also announced an inflation-adjusted amount for Health Reimbursement Arrangements (HRAs). An HRA must receive contributions from an eligible individual (employers can't contribute). Contributions aren't included in income, and HRA reimbursements used to pay eligible medical expenses aren't taxed. In 2025, the maximum amount that may be made newly available for the plan year for an excepted benefit HRA will be \$2,150 (up from \$2,100 in 2024).

### **Collect the benefits**

There are a variety of benefits to HSAs that employers and employees appreciate. Contributions to the accounts are made on a pre-tax basis. The money can accumulate tax-free year after year and can be withdrawn tax-free to pay for a variety of medical expenses such as doctor visits, prescriptions, chiropractic care and premiums for long-term care insurance. In addition, an HSA is "portable." It stays with an account holder if he or she changes employers or leaves the workforce. Many employers find it to be a fringe benefit that attracts and retains employees. If you have questions about HSAs at your business, contact us.