

Abstract: The IRS has released guidance that includes the 2024 inflation-adjusted amounts for Health Savings Accounts (HSAs). This article lists the benefits, requirements, and contribution limits of HSAs for 2023 and 2024.

Plan ahead for Health Savings Accounts in 2024

The IRS has released guidance that includes the 2024 inflation-adjusted amounts for Health Savings Accounts (HSAs). The benefits of HSAs include: contributions are made on a pretax basis; funds can be withdrawn tax-free to pay for a variety of medical expenses, such as doctor visits, prescriptions, chiropractic care and long-term care insurance premiums; and HSAs are “portable,” meaning the account stays with the employee even if he or she changes jobs or leaves the workforce.

What exactly is an HSA?

An HSA is a trust created exclusively for the purpose of paying the qualified medical expenses of the account holder and his or her family if a family plan is obtained. To be eligible, an individual must be covered under a high deductible health plan (HDHP, defined below). Participants in an HSA cannot be enrolled in Medicare or have other health coverage, though there are exceptions, which 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 next year

In Revenue Procedure 2023-23, the IRS released the 2024 inflation-adjusted figures for contributions to HSAs, which are as follows:

Annual contribution limitation. For calendar year 2024, the annual contribution limitation for an individual with self-only coverage under a HDHP will be \$4,150. For an individual with family coverage, the amount will be \$8,300. This is up from \$3,850 and \$7,750, respectively, in 2023.

There’s an additional \$1,000 “catch-up” contribution amount for those age 55 and older in 2024 (and 2023).

HDHP defined. For calendar year 2024, an HDHP will be a health plan with an annual deductible that isn’t less than \$1,600 for self-only coverage or \$3,200 for family coverage (up from \$1,500 and \$3,000, respectively, in 2023). In addition, annual out-of-pocket expenses (deductibles, co-payments and other amounts, but not premiums) won’t be able to exceed \$8,050 for self-only coverage or \$16,100 for family coverage (up from \$7,500 and \$15,000, respectively, in 2023).

Contact your employee benefits and tax advisors if you have questions about HSAs at your business.

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