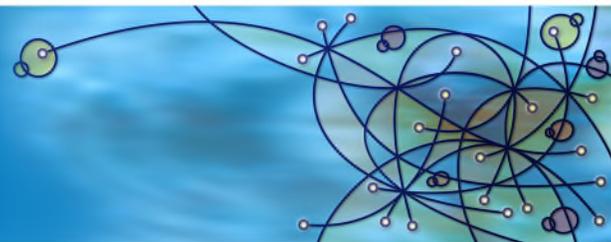


Employee Benefits & Executive Compensation



Annual Limitations

Effective as of January 1, 2021

LIMIT	2021		2020		2019	
Elective Deferrals IRC Section: 402(g)(1); 457(e)(15); 408(p)(2)(E) 401(k), 403(b), 457(b), and SEPs SIMPLE Plans	\$19,500	\$13,500	\$19,500	\$13,500	\$19,000	\$13,000
Catch-up Contributions (age 50 and older) IRC Section: 414(v)(2)(B)(i) & (ii) 401(k), 403(b), Governmental 457(b), and SEPs SIMPLE Plans	\$6,500	\$3,000	\$6,500	\$3,000	\$6,000	\$3,000
Annual Compensation Limit IRC Section: 401(a)(17); 404(l) General Limit Certain Governmental Plans	\$290,000	\$430,000	\$285,000	\$425,000	\$280,000	\$415,000
Limitations on Benefits and Contributions IRC Section: 415(b)(1)(A); 415(c)(1)(A) Defined Contribution Plans Defined Benefit Plans	\$58,000	\$230,000	\$57,000	\$230,000	\$56,000	\$225,000
"Highly Compensated Employee" Definition IRC Section: 414(q)(1)(B)	\$130,000		\$130,000		\$125,000	
"Key Employee" / "Officer" Definition for Top-Heavy Plans IRC Section: 416(i)(1)(A)(i)	\$185,000		\$185,000		\$180,000	
PBGC Guaranteed Annual Benefit (single life annuity payable at age 65; rounded)	\$72,409		\$69,750		\$67,295	
SEP Coverage IRC Section: 408(k)(2)(C); 408(k)(3)(C) Minimum Compensation Maximum Compensation	\$650	\$290,000	\$600	\$285,000	\$600	\$280,000
Health Savings Accounts (HSAs) Maximum Annual Contributions Minimum Deductible Maximum Out-of-Pocket	Single \$3,600 \$1,400 \$7,000	Family \$7,200 \$2,800 \$14,000	Single \$3,550 \$1,400 \$6,900	Family \$7,100 \$2,800 \$13,800	Single \$3,500 \$1,350 \$6,750	Family \$7,000 \$2,700 \$13,500
Qualified Small Employer Health Reimbursement Arrangements (QSEHRAs) Maximum Annual Reimbursements	Single \$5,300	Family \$10,700	Single \$5,250	Family \$10,600	Single \$5,150	Family \$10,450
Excepted Benefit Health Reimbursement Arrangements* Maximum Annual Reimbursements	\$1,800		\$1,800		N/A	
Health Care Flexible Spending Account Maximum Salary Reduction Contributions	\$2,750 per employee per unrelated employer**		\$2,750 per employee per unrelated employer**		\$2,700 per employee per unrelated employer**	
Dependent Care Assistance Maximum	\$10,500*** \$5,250 (married filing separately)		\$5,000 \$2,500 (married filing separately)		\$5,000 \$2,500 (married filing separately)	

LIMIT	2021	2020	2019
Qualified Transportation Fringe (Monthly)			
Parking	\$270	\$270	\$265
Mass Transit Pass/Vanpool	\$270	\$270	\$265
Adoption Assistance Programs			
Maximum Exclusion per Child	\$14,440	\$14,300	\$14,080
Phase-Out Floor	\$216,660	\$214,520	\$211,160
Phase-Out Ceiling	\$256,660	\$254,520	\$251,160
Long-Term Care Deductible Premiums			
Age 40 and younger	\$450	\$430	\$420
Age 41 to 50	\$850	\$810	\$790
Age 51 to 60	\$1,690	\$1,630	\$1,580
Age 61 to 70	\$4,520	\$4,350	\$4,220
Over age 70	\$5,640	\$5,430	\$5,270
Total FICA Tax (Combined OASDI and HI Portions)			
Employers	7.65%	7.65%	7.65%
Employees	7.65%****	7.65%****	7.65%****
FICA Taxes (HI Portion)			
Employees and Employers, each	1.45%****	1.45%****	1.45%****
Wage Base	All Wages	All Wages	All Wages
Social Security Tax (OASDI Portion)			
Employers	6.2%	6.2%	6.2%
Employees	6.2%	6.2%	6.2%
Wage Base	\$142,800	\$137,700	\$132,900

*Pursuant to final rules issued June 20, 2019 (84 Fed. Reg. 28888), effective January 1, 2020, an Excepted Benefit HRA can be used to reimburse the costs of certain §213(d) medical expenses for eligible employees. See also Revenue Procedure 2020-43.

**Plan sponsors may design their plans to allow participants to carry over unused amounts for reimbursement of qualified medical expenses incurred during the following plan year. Prior to the passage of the Consolidated Appropriations Act, 2021 (the "Act"), which was signed into law on December 27, 2020, these amounts were \$500 for 2019 that could be carried over into 2020 and \$550 for 2020 that could be carried over into 2021 (as amended upwards from \$500 by Notice 2020-33). Pursuant to the Act, however, a cafeteria plan may provide that any unused amounts in a health care or dependent care flexible spending account can be carried over for the 2020 and 2021 plan years. A plan may not simultaneously include this carryover rule and the grace period rule, under which reimbursements normally may continue to be made for expenses incurred within the first 2 ½ months after the close of the plan year. See IRS Notices 2013-71 and 2020-33, and Revenue Procedure 2020-45 for further details. Under the Act, however, for plan years ending in 2020 and 2021, the grace period may be extended for up to 12 months after the end of the prior plan year.

Additionally, IRS Notice 2020-29 provides that employers may amend Section 125 plans to allow plan participants to make certain prospective mid-year election changes during calendar year 2020: 1) make new, modify or revoke previous elections for employer-sponsored health coverage, health flexible spending accounts ("FSAs") and dependent care FSAs; and 2) apply unused amounts remaining in a health or dependent care FSA as of the end of a grace period or plan year ending in 2020 through December 31, 2020. Further, the Act provides that for plan years ending in 2021, a cafeteria plan can permit employees to change the amount of their health FSA and dependent care FSA elections, even if the employee has not had a "change in status," so long as the contributions do not exceed the dollar limitations otherwise applicable to such accounts. (Note that the Act applies only to amounts contributed to FSA accounts and not to any other types of elections, including the election of health coverage.)

***Prior to the passage of the American Rescue Plan Act of 2021 ("ARPA"), signed into law on March 11, 2021, the annual limit on pre-tax employer reimbursements from a dependent care assistance program ("DCAP") for 2021 was \$5,000, and \$2,500 in the case of a separate return filed by a married individual. The ARPA provides that for the 2021 calendar year only, the DCAP limit is increased to \$10,500 (\$5,250 in the case of a separate return filed by a married individual). Employers may, but are not required to, amend their plans to reflect the increased DCAP limit. Any such amendment must be made on or before the last day of the plan year in which the amendment becomes effective (but can be retroactive to the beginning of 2021).

****Higher-income employees will be subject to an additional 0.9% Medicare tax on wages in excess of threshold amounts based on filing status as listed in the table below. Employers are required to withhold the 0.9% Medicare tax on wages paid to an employee in excess of \$200,000 in 2021 without regard to filing status.

FILING STATUS	THRESHOLD AMOUNT
Married filing jointly	\$250,000
Married filing separately	\$125,000
Single; Head of Household (with qualifying person); or Qualifying widow(er) with dependent child	\$200,000

For more information on the application of these limitations, please contact any of the following members of our Benefits practice:

Maureen J. Gorman, Partner mgorman@mayerbrown.com	Anna M. O'Meara, Partner aomeara@mayerbrown.com	Rebecca C. Davenport, Counsel rdavenport@mayerbrown.com	Cecilia A. Roth, Counsel croth@mayerbrown.com
Debra B. Hoffman, Partner dhoffman@mayerbrown.com	Stephanie B. Vasconcellos, Partner svasconcellos@mayerbrown.com	Katherine H. Dean, Counsel kdean@mayerbrown.com	Hillary E. August, Associate haugust@mayerbrown.com
Ryan J. Liebl, Partner rliebl@mayerbrown.com	James C. Williams, Partner jcwilliams@mayerbrown.com	Karen F. Grotberg, Counsel kgrotberg@mayerbrown.com	

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