

## EY Payroll NewsFlash Workforce Tax Services

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### IRS releases fringe benefit inflation adjustments for 2020

In [Revenue Procedure 2019-44](#) the IRS announced the inflation adjustments that will apply to various fringe benefits in 2020.

#### Medical Savings Account (MSA) limits go up in 2020

Summarized below are the 2020 limits that apply to MSAs under IRC § 220(c)(2)(A).

| Provision                                      | Self-only coverage  | Family coverage   |
|--|---|---|
| High deductible health plan: annual deductible | Not less than \$2,350 (unchanged from 2019) and not more than \$3,550 (up from \$3,500 in 2019) | Not less than \$4,750 (up from \$4,650 in 2019) and not more than \$7,100 (up from \$7,000 in 2019) |
| Annual out-of-pocket (other than for premiums) | Not to exceed \$4,750 (up from \$4,650 in 2019)   | Not to exceed \$8,650 (up from \$8,550 in 2019)   |

#### Adoption assistance limit goes up in 2020

The limit on qualified adoption assistance (including special needs children) under IRC §23(a)(3) for 2019 is \$14,300, up from \$14,080 in 2019.

For 2020, the amount excludable from an employee's gross income begins to phase out under IRC § 137(b)(2)(A) for taxpayers with modified adjusted gross income in excess of \$214,520 and is completely phased out for taxpayers with modified adjusted gross income of \$254,520 or more.

### **Health flexible spending account (FSA) limit goes up in 2020**

The 2020 annual limit on the amount of pretax contributions employees can make toward their health flexible spending account through a cafeteria plan under IRC §125(i) is \$2,750, up from \$2,700 in 2019.

### **Transportation fringe benefits (parking and transit) increases in 2020**

The 2020 monthly limit on parking benefits under IRC §132(f)(2)(B) is \$270, up from \$265 in 2019.

The 2020 aggregate monthly limit for transportation in a commuter highway vehicle and any transit pass under IRC §132(f)(2)(A) is also \$270, an increase from \$265 in 2019.

### **Foreign earned income exclusion for 2020**

For taxable years beginning in 2020, the foreign earned income exclusion amount under § 911(b)(2)(D)(i) is \$107,600.

### **Reporting penalties for Forms W-2/1099 increase in 2021**

The penalties that apply to late or incorrect Forms W-2 is indexed each year for inflation. Following are the penalties that apply to late or incorrect Forms W-2 required to be furnished to employees and/or filed with the Social Security Administration in 2021.

#### **§6721 Failure to timely file an accurate information return with IRS (for returns required to be filed in 2021)**

##### **Filed/Corrected**

| <b>On or After</b> | <b>On or Before</b>   | <b>Penalty</b> | <b>Maximum</b> | <b>Max. small employer</b> |
|--------------------|-----------------------|----------------|----------------|----------------------------|
| 1/1                | 1/31                  | \$0            | N/A            | N/A                        |
| 2/1                | 2/28                  | \$50           | \$565,000      | \$197,500                  |
| 3/1                | 8/1                   | \$110          | \$1,696,000    | \$565,000                  |
| 8/1                |                       | \$280          | \$3,392,000    | \$1,130,500                |
|                    | intentional disregard | \$560          | no limit       | no limit                   |

**§6722 Failure to timely furnish an accurate employee statement (for returns required to be filed in 2021)**

**Filed/Corrected**

| On or After | On or Before          | Penalty | Maximum     | Max.small employer |
|-------------|-----------------------|---------|-------------|--------------------|
| 1/1         | 1/31                  | \$0     | N/A         | N/A                |
| 2/1         | 2/28                  | \$50    | \$565,000   | \$197,500          |
| 3/1         | 8/1                   | \$110   | \$1,696,000 | \$565,000          |
| 8/1         |                       | \$280   | \$3,392,000 | \$1,130,500        |
|             | intentional disregard | \$560   | no limit    | no limit           |

## Contact us for more information

### Workforce Tax Services - Employment Tax Advisory Services

Ken Hausser  
[kenneth.hausser@ey.com](mailto:kenneth.hausser@ey.com)

Debera Salam  
[debera.salam@ey.com](mailto:debera.salam@ey.com)

Kristie Lowery  
[kristie.lowery@ey.com](mailto:kristie.lowery@ey.com)

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