



2025 Inflation Adjustments

The IRS recently announced the dollar amounts that employers will need to know in order to administer their benefit plans for 2025. The key dollar amounts for retirement plans and individual retirement accounts (IRAs) are shown on the [front side](#) of our 2025 limits card.

The [reverse side](#) of the card shows a number of dollar amounts that employers will need to know in order to administer health flexible spending accounts (FSAs), health savings accounts (HSAs), and high-deductible health plans (HDHPs), as well as non-grandfathered health plans subject to the Affordable Care Act.

As expected, most of the new numbers are increased from their 2024 counterparts. For instance, the Section 415 limit on annual additions to a participant's defined contribution retirement plan account will increase from \$69,000 to \$70,000, and the annual compensation limit will increase from \$345,000 to \$350,000. The annual 401(k), 403(b), or 457(b) deferral limit will increase from \$23,000 to \$23,500.

Beginning in 2025, the annual retirement plan catch-up contribution limit will be adjusted as required by the SECURE 2.0 Act. For those participants who will attain ages 50 to 59 or will attain age 64 or older by the end of the calendar year, the limit will remain the same at \$7,500. However, the catch-up contribution limit for participants who will attain ages 60 to 63 by the end of the calendar year is \$11,250.

The annual compensation threshold used to identify highly compensated employees (HCEs) will increase from \$155,000 to \$160,000 for 2025. Because the 2025 limit will not become relevant until 2026 – when employers “look back” at their employees’ 2024 compensation – employers should consider their employees’ 2024 compensation when identifying HCEs for 2025 (as well as 5% owners during either

2024 or 2025).

The annual limit on IRA contributions (whether traditional or Roth) will remain \$7,000 and the annual limit on IRA catch-up contributions will remain \$1,000. The Social Security taxable wage base (important for retirement plans that are “integrated” with Social Security) will increase from \$168,600 to \$176,100.

The maximum contribution to an HSA will increase from \$4,150 to \$4,300 for individual coverage, and from \$8,300 to \$8,550 for family coverage. The maximum HSA catch-up contribution will remain \$1,000.

The minimum deductible for any HDHP (which must accompany any HSA) will increase from \$1,600 to \$1,650 for individual coverage, and from \$3,200 to \$3,300 for family coverage. For 2025, the limit on total annual HDHP out-of-pocket expenses (deductibles, co-payments, and other amounts – but not premiums) will increase to \$8,300 for self-only coverage, and \$16,600 for family coverage.

The 2025 maximum out-of-pocket limits for “essential health benefits” provided under all non-grandfathered health plans will decrease from \$9,450 to \$9,200 for individual coverage, and from \$18,900 to \$18,400 for family coverage. Because the out-of-pocket limits for essential health benefits are adjusted using the “premium adjustment percentage” calculated by the U.S. Department of Health and Human Services, and the maximum HDHP out-of-pocket expense is adjusted on the basis of the consumer price index, there is often a more significant change in the out-of-pocket limits for essential health benefits. However, this year, the out-of-pocket limits applicable to essential health benefits actually decreased despite an increase in the HDHP out-of-pocket limit.

The limit on employee deferrals to health FSAs in 2025 will increase to \$3,300. This limit applies only to salary reduction contributions under a health FSA, and not to employer contributions. For this purpose, however, any employer FSA contributions that could have been received in cash are treated as salary reduction contributions. If the health FSA permits carryover of unused amounts, that amount is increased to \$660.

A laminated version of the firm's 2025 limits card is available upon request. To obtain one or more copies, please contact any member of our Employee Benefits Group. You can also contact the Spencer Fane marketing department at marketing@spencerfane.com.

This blog was drafted by Natalie Miller, an attorney in the Spencer Fane Overland Park, Kansas, office. For more information, visit www.spencerfane.com.

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