SpencerFane

2026 Inflation Adjustments

The IRS recently announced the dollar amounts that employers need to know in order to administer their benefit plans for 2026. The key dollar amounts for retirement plans and individual retirement accounts (IRAs) are shown on the front side of our 2026 limits card.

The reverse side of the card shows a number of dollar amounts that employers 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 group health plans subject to the Affordable Care Act.

As expected, most of the new numbers are increased from their 2025 counterparts. For instance, the Section 415 limit on annual additions to a participant's defined contribution retirement plan account will increase from $70,000 to $72,000, and the annual compensation limit will increase from $350,000 to $360,000. The annual 401(k), 403(b), or 457(b) deferral limit will increase from $23,500 to $24,500.

The annual retirement plan catch-up contribution limits also will increase in 2026. For participants who will attain ages 50 to 59 and those who will be age 64 or older by the end of the calendar year, the limit will increase from $7,500 to $8,000. However, the catch-up contribution limit for participants who will attain ages 60 to 63 by the end of the calendar year will remain $11,250. The FICA wage threshold used to determine high earner status (an individual whose catch-up contributions must be designated as Roth contributions) will be $150,000 in 2026.

Employers will need to review the employee's compensation from the preceding year to determine high earner status for the current year. For example, if a participant had FICA wages exceeding $150,000 in 2025, they are subject to the mandatory Roth catch-up rules in 2026. This is the first year employers are required

to comply with the compensation threshold.

The annual compensation threshold used to identify highly compensated employees (HCEs) will remain $160,000 for 2026. Because the 2026 limit will not become relevant until 2027 – when employers "look back" at their employees' 2026 compensation – employers should consider their employees' 2025 compensation when identifying HCEs for 2026 (as well as 5% owners during either 2025 or 2026).

The annual limit on IRA contributions (whether traditional or Roth) will increase to $7,500 and the annual limit on IRA catch-up contributions will increase from $1,000 to $1,100. The Social Security taxable wage base (important for retirement plans that are "integrated" with Social Security) will increase from $176,100 to $184,500.

The maximum contribution to an HSA will increase from $4,300 to $4,400 for individual coverage, and from $8,550 to $8,750 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 $1,650 to $1,700 for individual coverage, and from $3,300 to $3,400 for family coverage. For 2026, the limit on total annual HDHP out-of-pocket expenses (deductibles, co-payments, and other amounts – but not premiums) will increase to $8,500 for self-only coverage, and $17,000 for family coverage.

The 2026 maximum out-of-pocket limits for "essential health benefits" provided under all non-grandfathered group health plans will increase from $9,200 to $10,600 for individual coverage, and from $18,400 to $21,200 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.

The limit on employee deferrals to health FSAs in 2026 will increase to $3,400. 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

$680.

The One Big Beautiful Bill Act included a welcome increase to the limit on Dependent Care Assistance Program (DCAP) contributions from $5,000 to $7,500 for most employees. The limit for those who are married filing separately will be $3,750 instead of the previous $2,500 limit. The previous limits have been in place since 1986, so there will likely not be another increase for quite some time.

A laminated version of the Spencer Fane 2026 limits card is available upon request. To obtain one or more copies, please contact any member of our Employee Benefits Group. You also can contact the Spencer Fane marketing department at marketing@spencerfane.com.

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

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