



EY Payroll NewsFlash Workforce Tax Services

*Tax. Benefits. Human Resources.
Working together with you.*



 Contact us for more information

 Join us on LinkedIn

Vol.23, 106
October 31, 2022

IRS releases 2023 inflation adjustments for fringe benefits and Form W-2/1099 information reporting penalties

In [Revenue Procedure 2022-38](#), the IRS announced the 2023 inflation adjustments that will apply to certain fringe benefits and to Form W-2/1099 information reporting penalties.

Medical Savings Account (MSA) limits go up in 2023

Summarized below are the 2023 limits that apply to MSAs under IRC Section 220(c)(2)(A).

Provision	Self-only coverage	Family coverage
High-deductible health plan: annual deductible	Not less than \$2,650 (up from \$2,450 in 2022) and not more than \$3,950 (up from \$3,700 in 2022)	Not less than \$5,300 (up from \$4,950 in 2022) and not more than \$7,900 (up from \$7,400 in 2022)
Annual out-of-pocket (other than for premiums)	Not to exceed \$5,300 (up from \$4,950 in 2021)	Not to exceed \$9,650 (up from \$9,050 in 2022)

Adoption assistance limit goes up in 2023

The limit on qualified adoption assistance (including benefits provided for special needs children) under IRC Section 137 for 2023 is \$15,950, up from \$14,890 in 2022.

For 2023, the amount excludable from an employee's gross income begins to phase out under IRC Section 137(b)(2)(A) for taxpayers with modified adjusted gross income of more than \$239,230 and is completely phased out for taxpayers with modified adjusted gross income of \$279,230 or more.

Health flexible spending arrangement (FSA) limit goes up in 2023

The 2023 annual limit on pretax contributions employees can make toward their health FSA through a cafeteria

plan under IRC Section 125(i) is \$3,050, up from \$2,850 in 2022.

If the cafeteria plan permits the carryover of unused amounts, the maximum carryover amount is \$610.

Transportation fringe benefits (parking and transit) limit goes up in 2023

The 2023 monthly limit on parking benefits under IRC Section 132(f)(2)(B) is \$300, up from \$280 in 2022.

The 2023 aggregate monthly limit for transportation in a commuter highway vehicle and any transit pass under IRC Section 132(f)(2)(A) is also \$300, up from \$280 in 2022.

Foreign earned income exclusion for 2023

For taxable years beginning in 2023, the foreign earned income exclusion amount under IRC Section 911(b)(2)(D)(i) is \$120,000, up from \$112,000 in 2022.

Reporting penalties for Forms W-2/1099 increase for tax year 2023

The penalties that apply to late or incorrect Forms W-2 is indexed each year for inflation. On the following page 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 for tax year 2023 (filed in 2024).

IRC Section 6721: Failure to timely file an accurate information return with IRS (for returns required to be filed in 2024)

Filed/corrected on or after	On or before	Penalty	Maximum	Maximum small employer
1/1	1/31	\$0	N/A	N/A
Day after deadline (in 2024, 2/1)	30 days after required filing date (in 2024, 3/2)	\$60	\$630,500	\$220,500
31 days after deadline (in 2024, 3/3)	8/1	\$120	\$1,891,500	\$630,500
8/2		\$310	\$3,783,000	\$1,261,000
	intentional disregard	\$630	no limit	no limit

IRC Section 6722: Failure to furnish correct payee statements (for statements required to be furnished in 2024)

Filed/corrected on or after	On or before	Penalty	Maximum	Maximum small employer
1/1	1/31	\$0	N/A	N/A
Day after deadline (in 2024, 2/1)	30 days after required filing date (in 2024, 3/2)	\$60	\$630,500	\$220,500
31 days after deadline (in 2024, 3/3)	8/1	\$120	\$1,891,500	\$630,500
8/2		\$310	\$3,783,000	\$1,261,000
	intentional disregard	\$630	no limit	no limit

Contact us for more information

Workforce Tax Services - Employment Tax Advisory Services

Kristie Lowery
kristie.lowery@ey.com

Ken Hausser
Kenneth.hausser@ey.com

Debera Salam
debera.salam@ey.com

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting or tax advice or opinion provided by Ernst & Young LLP to the reader. The reader is also cautioned that this material may not be applicable to, or suitable for, the reader's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The reader should contact his or her Ernst and Young LLP or other tax professional prior to taking any action based upon this information. Ernst & Young LLP assumes no obligation to inform the reader of any changes in tax laws or other factors that could affect the information contained herein. Copyright 2022. Ernst & Young LLP. All rights reserved. No part of this document may be reproduced, retransmitted or otherwise redistributed in any form or by any means, electronic or mechanical, including by photocopying, facsimile transmission, recording, rekeying, or using any information storage and retrieval system, without written permission from Ernst & Young LLP.