

Eye On Washington Regulatory Update



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2018 HSA Family Contribution Limit Decreased

On May 4, 2017, the Internal Revenue Service (IRS) published Revenue Procedure 2017-37, which provides inflation-adjusted limits for Health Savings Accounts (HSAs) and high-deductible health plans (HDHPs) for calendar year 2018.

On March 5, 2018, the IRS announced a reduction to the 2018 contribution limit for an individual with family coverage under an HDHP from \$6,900 (as previously announced in Revenue Procedure 2017-37) to a new limit of \$6,850.

The reason for the reduction is a provision in the Tax Cuts and Jobs Act (signed into law on December 22, 2017), which replaces the use of the consumer price index (CPI-U) as the inflation adjustment with what is commonly referred to as the "chained consumer price index" (C-CPI-U) for indexing dollar thresholds applicable to HSAs.

As a brief background, both the CPI-U and C-CPI-U measure cost-of-living increases. The CPI-U looks at a number of consumer goods and services such as food, gas, and health care and averages the increase of those items. The C-CPI-U does the same thing but in addition it looks at consumer behavior in determining cost-of-living increases. For example, if the cost of gas increases, it takes into account that consumers may take the bus to work more often thus lowering the impact of the increase in gas and the consumer's transportation cost. Consequently, the C-CPI-U increases at a slower rate than the CPI-U.

Below are the adjusted 2018 HSA and HDHP Limits. (Only the HSA Family Contribution Limit was decreased.)

2018 Annual HSA Contribution Limits:

- Self-only HDHP coverage: \$3,450*
(up \$50 from 2017)
- Family HDHP coverage: \$6,900* \$6,850
(up \$150-\$100.00 from 2017)

*An individual, who has reached the age of 55 by the end of the calendar year, may contribute an additional \$1,000 per year as a catch-up contribution.

2018 Annual HDHP Minimum Deductibles:

- Self-only coverage: \$1,350
(up \$50 from 2017)
- Family coverage: \$2,700
(up \$100 from 2017)

2018 HDHP Out-of-Pocket Limits (includes deductibles, co-payments and other amounts, but not premiums):

- Self-only coverage: \$6,650
(up \$100 from 2017)
- Family coverage: \$13,300
(up \$200 from 2017)

The IRS may be considering transitional relief on this issue. ADP will be monitoring and report any guidance provided by the IRS on this matter. For a copy of Revenue Procedure 2018-18 click on the link below.

https://www.novoco.com/sites/default/files/atoms/files/proc_2018-18.pdf

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