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IRS Restores Original 2018 Family HSA Contribution Limit

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On April 26, 2018, the IRS announced relief associated with the decrease from \$6,900 to \$6,850 for 2018 HSA contributions tied to family coverage that was previously announced in Revenue Procedure 2018-18.

New IRS guidance in Revenue Procedure 2018-27 allows taxpayers to once again treat the 2018 maximum HSA contribution for the family tier as \$6,900 – not the reduced limit of \$6,850 that was unexpectedly announced on March 2, 2018.

Why was the Limit Changed Back?

The IRS and Treasury Department determined that it was in the best interest of taxpayers to reinstate the originally published limit of \$6,900. IRS and the Treasury noted that the \$50 reduction to the family HSA contribution limitation imposed numerous unanticipated administrative and financial burdens. The agencies ultimately concluded that the burden to taxpayers and employers outweighed the benefit of the \$50 reduction.

What if an Individual Already Adjusted His/Her HSA?

If an individual has already made changes to his or her HSA contributions based on the \$6,850 deduction limitation, this guidance clarifies what taxpayers can do in light of this relief:

- Those that have already received an excess contribution distribution from an HSA based on the \$6,850 deduction limit may treat the distribution as a mistake and repay the HSA up to \$6,900 by April 15, 2019. The repaid contribution (including earnings on that contribution) **will not** be included in the taxpayer's gross income and **will not** be subject to excise taxes.

- Alternatively, an individual who received an excess contribution distribution (with earnings) from an HSA based on the \$6,850 deduction limit may choose to not repay the \$50 distribution into the HSA. This distribution **will not** be subject to the 20% tax for non-qualified medical expense distributions.

Employer Action

- An announcement should be made to employees informing them that the maximum HSA contribution for those with family coverage is \$6,900 (not \$6,850). There is no particular format required. Any materials printed already should be revised, if feasible. Any materials not printed already should be reviewed to ensure the limit is published as \$6,900 and revised, if necessary.
- Allow impacted employees to increase their annual HSA election to \$6,900, if applicable. HSA elections can be changed monthly. This includes pre-tax HSA contributions made through a Code Sec. 125 plan. These rules permit HSA contribution elections to increase or decrease at any time (and at least monthly), as long as the change is effective prospectively, without a corresponding status change.
- Work with payroll vendors and HSA trustees/custodians to update systems with the new limit.

Review of the 2018 HSA/HDHP Limits

The 2018 HSA contribution limits and high-deductible health plan (“HDHP”) requirements are as follows:

- Maximum HSA contributions of \$3,450 for those with self-only coverage
- Maximum HSA contributions of \$6,900 for those with family coverage
- Catch-up contribution (for those 55 or older) of \$1,000
- Minimum deductibles of \$1,350 self-only / \$2,700 family
- Maximum out-of-pocket expenses of \$6,650 self-only / \$13,300 family