

Change in 2018 HSA Contribution Limits

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Yesterday the IRS released Rev. Proc. 2018-18, addressing a variety of changes to tax rates and inflation-adjusted thresholds in accordance with the Tax Cuts and Jobs Act passed late in 2017. Under the new tax legislation, the methodology for determining adjustments to limits for things such as contributions to health flexible spending accounts (FSAs) and health savings accounts (HSAs) is tied to a “chained CPI,” probably resulting in slower upward adjustments over time. Although the IRS guidance does not affect health FSA contribution limits for 2018, HSA contribution limits for family coverage were reduced by \$50.00 for 2018.

Below are the updated dollar amounts for 2018 HSA contributions. The 2018 requirements for a qualifying high deductible health plan (HDHP), the minimum deductibles and maximum out-of-pockets, are unchanged.

2018 HSA Annual Contribution Limits

- Self-only (single) HDHP coverage = **\$3,450** (\$3,400 in 2017)
- Other than self-only (family) HDHP coverage = **\$6,850** (\$6,750 in 2017), *previously set at \$6,900 for 2018*

*Special rule for spouses—If one spouse has family coverage, both spouses are treated as having family coverage, but together they cannot exceed the annual family contribution amount. The contribution limit is divided equally unless the spouses agree on a different division.

**Catch-up contributions—HSA-eligible individuals who have reached age 55 by the end of the taxable year can make an annual \$1,000 extra catch-up contribution.

Summary

These changes are effective for the 2018 calendar year. Employers should communicate the contribution changes to employees, since those enrolled in family HDHP coverage and planning to contribute the maximum annual amount to an HSA may need to make adjustments accordingly. For example, individuals who may have already contributed \$6,900 for 2018 may need to request a curative distribution, and individuals who planned to contribute throughout the year may need to adjust the amount of ongoing contributions. A reminder: Those employers who allow HSA salary reductions through a cafeteria plan must allow participants to make HSA election changes *at least* monthly.

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