



Compliance Alert

2018 HSA Family Contribution Limit Increased Back to \$6,900

April 27, 2018

By: Brian Gilmore, Lead Benefits Counsel, VP

On Thursday, the IRS came full circle on the 2018 family HSA contribution limit.

The [original 2018 HSA limits](#) were released in May 2017. The family contribution limit was set at \$6,900. In any other year, that would have been the end of the story.

However, in March 2018, [the IRS announced a \\$50 reduction](#) to the 2018 family limit to \$6,850. The unusual mid-year change to the limit was the result of modified inflation-adjusted figures under the [Tax Cuts and Jobs Act](#) (TCJA) passed at the end of 2017.

Now the IRS has released [Revenue Procedure 2018-27](#), **increasing the 2018 family HSA contribution limit back to the original \$6,900 level.**

	Original 2018	Revised 2018	Final 2018
Minimum Deductible			
Single	\$1,350	\$1,350	\$1,350
Family	\$2,700	\$2,700	\$2,700
Maximum Out of Pocket			
Single	\$6,650	\$6,650	\$6,650
Family	\$13,300	\$13,300	\$13,300
Contribution Limit			
Single	\$3,450	\$3,450	\$3,450
Family	\$6,900	\$6,850	\$6,900
55 + Contribution			
Single	\$1,000	\$1,000	\$1,000
Family	\$1,000	\$1,000	\$1,000

Why the See-Saw Limits?

The IRS stated that they are responding to comments that the \$50 mid-year reduction to the limit **“would impose numerous unanticipated administrative and financial burdens.”** Furthermore,

they recognized that many employees had already **“made annual salary reduction elections for HSA contributions through their employer’s cafeteria plans based on the \$6,900 limit.”**

Finally, the IRS noted comments stating that the reduction was unduly burdensome because **“the costs of modifying the various systems to reflect the reduced maximum...would be significantly greater than any tax benefit associated with an unreduced HSA contribution (and in some instances may exceed \$50).”**

Of course, ideally the IRS would have come to this conclusion prior to reducing the limit in March. Nonetheless, it’s a step in the right direction to accommodate the original \$6,900 limit for those who desire to take maximum advantage of the family HSA contribution limit in 2018.

Employers Who Already Reduced the HSA Family Election Limit to \$6,850

No action is required. Employers may preserve the slightly lower limit for 2018 employee HSA elections based on the March reduction.

In this situation, employees who wish to contribute the additional \$50 may do so outside of payroll by directly making the contribution to the HSA and taking an above-the-line deduction on the individual tax return. This would result in the same income tax treatment of the \$50 amount, with the slight additional payroll tax on the additional \$50 (6.2% Social Security + 1.45% Medicare = \$3.83 typical additional payroll tax liability for the employer and employee).

See slide 37 of our ABD Office Hours [Go All the Way With HSA](#) for more details.

Employers may choose to increase the employee elections back to the original \$6,900 level. Some employers will see this as an unnecessary step that does not pass a standard cost/benefit analysis. Per above, the systems reversion back to the original \$6,900 election limit would typically save the employer and employee just \$3.83 on the associated payroll taxes for the \$50 increase. Nonetheless, this is now an option.

Summary

Many will view this process as a frustrating exercise in IRS procedures. While it’s hard to disagree entirely, at least the IRS has responded to requests to permit the original \$6,900 contribution limit. It also seems very unlikely that the IRS would ever attempt to impose a mid-year HSA contribution reduction in the future.

In short, a small silver lining in much ado about (almost) nothing.

Disclaimer: The intent of this analysis is to provide the recipient with general information regarding the status of, and/or potential concerns related to, the recipient’s current employee benefits issues. This analysis does not necessarily fully address the recipient’s specific issue, and it should not be construed as, nor is it intended to provide, legal advice. Furthermore, this message does not establish an attorney-client relationship. Questions regarding specific issues should be addressed to the person(s) who provide legal advice to the recipient regarding employee benefits issues (e.g., the recipient’s general counsel or an attorney hired by the recipient who specializes in employee benefits law).