



COMPLIANCE BULLETIN

HIGHLIGHTS

- The IRS reduced the HSA contribution limit for 2018 for individuals with family HDHP coverage by \$50 to \$6,850.
- All other HSA and HDHP limits for 2018 remain the same as those previously announced by the IRS.
- Employees with family HDHP coverage may need to change their HSA elections to comply with the new limit.

IMPORTANT DATES

January 1, 2018

The 2018 contribution limits for HSAs became effective.

March 5, 2018

The IRS announced that the HSA contribution limit for family HDHP coverage is reduced for 2018.

IRS Reduces HSA Limit for Family Coverage for 2018

OVERVIEW

On March 5, 2018, the Internal Revenue Service (IRS) released [Revenue Procedure 2018-18](#) to announce changes to certain tax limits for 2018, including a reduced contribution limit for health savings accounts (HSAs).

The new tax law enacted late last year—the Tax Cuts and Jobs Act—changed the consumer price index for making annual adjustments to the HSA limits. Based on this new index, the IRS lowered the HSA contribution limit for individuals with **family coverage** under a high deductible health plan (HDHP) **from \$6,900 to \$6,850**. This change is effective for the 2018 calendar year. The IRS' other HSA and HDHP limits for 2018 remain the same.

ACTION STEPS

Employers with HDHPs should inform employees about the reduced HSA contribution limit for family HDHP coverage. Employees may need to change their HSA elections going forward to comply with the new limit. Also, any individuals with family HDHP coverage who have already contributed \$6,900 for 2018 must receive a refund of the excess contribution in order to avoid an excise tax.

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HSA/HDHP Limits

Each year, the IRS announces inflation-adjusted limits for HSAs and HDHPs. The adjusted contribution limits for HSAs take effect as of the next Jan. 1. The adjusted HDHP cost-sharing limits (minimum deductible and maximum out-of-pocket limit) take effect for the plan year beginning on or after the next Jan. 1.

The IRS originally [announced](#) the inflation-adjusted limits for HSAs and HDHPs for 2018 in May 2017.

The new federal tax law, which was enacted at the end of 2017, changed the consumer price index for making adjustments to certain tax limits, including the HSA limits. Using the new index, the IRS reduced one of the HSA/HDHP limits for 2018—the HSA contribution limit for individuals with family HDHP coverage. This limit is lowered by \$50—from \$6,900 to \$6,850, effective for the 2018 calendar year. All of the other HSA and HDHP limits for 2018 are unchanged, and remain the same as those announced by the IRS in May 2017.

The following chart shows the HSA/HDHP limits for 2018, as adjusted for the IRS' recent guidance.

| Type of Limit | | 2018 Original Limit | 2018 Current Limit | Change |
|--|-----------------|------------------------|-----------------------|------------------|
| HSA Contribution Limit | Self-only | \$3,450 | \$3,450 | No change |
| | Family | \$6,900 | \$6,850 | Down \$50 |
| HSA Catch-up Contributions (<i>not subject to adjustment for inflation</i>) | Age 55 or older | \$1,000 | \$1,000 | No change |
| HDHP Minimum Deductible | Self-only | \$1,350 | \$1,350 | No change |
| | Family | \$2,700 | \$2,700 | No change |
| HDHP Maximum Out-of-pocket Expense Limit | Self-only | \$6,650 | \$6,650 | No change |
| | Family | \$13,300 | \$13,300 | No change |