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Insights

IRS Does An "About-Face" On HSA Limits

April 30, 2018

The $50 reduction in the family coverage limit for health savings account ("HSA") contributions just announced last March is no longer effective. The good news is that taxpayers can save more for medical expenses in 2018 (up to $6,900), while the challenge for employers and/or service providers will be to reverse any steps taken in the last 5 weeks implementing the prior Internal Revenue Service ("IRS") announcement!

WHAT HAPPENED? THE DETAILS

The 2018 HSA calendar year family limit established in Revenue Procedure 2017-37 on May 4, 2017 permitted eligible individuals to save up to $6,900. However, due to certain modified cost of living adjustments re-calculated after the passage of the Tax Cuts and Jobs Act on December 22, 2017, the IRS determined that the HSA family coverage contribution limit needed to be reduced by $50 (see the Krieg DeVault LLP—"IRS Reduces 2018 Limits for Health Savings Accounts and Adoption Credits").

On Thursday, April 26, 2018, the IRS released Revenue Procedure 2018-27 stating it heard from those affected that reducing the HSA family limit by $50 had "numerous unanticipated administrative financial burdens" and that the "costs of modifying certain systems" to accommodate a new HSA limit after a year started greatly outweighed "any tax benefit" that could result from the lower limit. The IRS announced that, in the "best interest of sound and efficient tax administration," it would revert back to the original $6,900 limit announced last May effective for the 2018 calendar year.

ACTION ITEMS—HIT THE UNDO BUTTON

Employers/service providers must, assuming the $50 reduction was communicated and implemented:

- **communicate the new (original) limit to affected employees of $6,900; and**

- **review and modify, as needed, payroll deductions for employees who would like to maximize their HSA contributions.**

Please contact a member of the **Krieg DeVault LLP Employee Benefits Group** for additional information.